OCTOBER, 1956

Credit and FINANCIAL MANAGEMENT

INSURANCE ISSUE
Volume 58 Number 10

What Insurance Can Do To Aid Credit Executive

New Yardstick Measures Employee Dishonesty Risk

Mercantile Block Package A New Step in Insurance

Fire Prevention Progress Boon to Credit Operation

Insurance Now Ready for Big Role in Atomic World

Fire Underwriters' New Leader *(See P. 5)*

SUIAP*

saves $5100 annually for THE *Diamond* MATCH COMPANY

BOOK MATCH ADVERTISING DEPARTMENT

this leading manufacturer of paper book matches had their top accounting management investigate various accounts receivable systems thoroughly. A modern system that reduced paperwork and eliminated bothersome details of account checking and collection follow-up was the desired result.

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In the News

W. REX DAVIS, vice president, Huntington National Bank, Columbus, Ohio, has been elected chairman of the Columbus Better Business Bureau, Inc.

I. O. GOODNIGHT, treasurer, Electric Auto-Lite Company, Toledo, and member of the board of the Toledo Association of Credit Men, was reelected president of the Toledo Better Business Bureau.

Named area chairman for Crusade for Freedom at Richmond, Va., is JACK M. PARRISH, JR., assistant secretary-treasurer and a director of Concrete Pipe & Products Company, Inc., and Superior Building Units, Inc.

RICHARD GEARY, credit manager, Wilson Imperial Company, Newark, N. J., has been appointed a member of the Newark board of education.

JOHN C. CONLEY, president and treasurer of Wright & Wilhelmy Company, has been reelected president of the Omaha Better Business Bureau and named to the board of the Chamber of Commerce.

CLARENCE J. RYAN, vice president and credit manager, National City Bank of Troy (N.Y.), has been appointed a member of the Troy Recreation Commission.

GEORGE CASTINGS, vice president and cashier, Cleveland (Tenn.) National Bank, has been reelected president of the Cleveland Chamber of Commerce.

GARLAND HOLEMAN, Sidles Company, and WESLEY FREYER, Fruehauf Trailer Company, both Omaha, have become president and vice president, respectively, of the Optimist Club of West Omaha.

W. MILLER BENNETT, vice president of finance, Inland Container Corporation, Indianapolis, has been awarded the Leffingwell medal of the National Office Management Association.

HERBERT R. SILVERMAN, executive vice president and director of James Talcott, Inc., New York, is 1956 recipient of the New York University alumni meritorious service award.

EDITORIAL

Henry H. Heimann

Executive Vice-President

Need of Constant Reappraisal

IN THIS MODERN day and age the need of insurance protection is obvious. Insurance protection educational programs are a "must" in our economy. We cannot repeat too frequently that needless risks in business reflect careless management.

One of the most important factors in insurance protection in a period of inflation is a constant reappraisal of the real value of the measure of the insurance coverage.

Every insurance agency or broker should know at all times the current value of the dollar. It is his duty, if he desires to serve his clients well, to emphasize time and again the need of increased dollar protection. It costs today at least two to four times the amount of money to replace equipment and a plant constructed some twenty years ago.

In the field of personal liability insurance, jury verdicts today are expressed in terms of highly inflated dollars. Verdicts of $100,000 and upwards are not uncommon. In defalcations the dishonest employee steals or embezzles more. The need of greater use-and-occupancy insurance is evident.

In the matter of life insurance one needs today an amount at least three times what one would have needed thirty years ago to provide adequately for one's loved ones.

The insurance owner too frequently is complacent about keeping abreast of the times with respect to adequacy of coverage. It is a real public service for insurance companies and others interested in eliminating needless risks to constantly review the insurance needs in the light of the inflated dollar.

Nothing is constant but change, and for several decades the changes in dollar values have created need of a progressively higher dollar protection. If the insurance people will bring home this message they will be rendering a public service of the highest order.

THE OCTOBER COVER

THE new president of the National Board of Fire Underwriters is the center of pictorial attention on the front cover of this *Annual Insurance Number* of CREDIT AND FINANCIAL MANAGEMENT.

He is J. C. Hullett, president and chairman of the finance committee of the Hartford Fire Insurance Company.

Mr. Hullett holds a number of posts in the insurance, banking and industrial fields. He is finance committee chairman and director of the Hartford Accident and Indemnity Company; president and director, the Citizens Insurance Company of New Jersey, New York Underwriters Insurance Company and the Twin City Fire Insurance Company; a director of the Northwestern Fire and Marine Insurance Company.

Mr. Hullett was born in Bowling Green, Ky., and educated at Western Kentucky State College and Northwestern University. In 1929 he began a career on graduation concentrated upon the insurance field—and Hartford, first in the fire underwriting department of the western department, in Chicago. Appointed a special agent for Oklahoma in 1933, he was transferred to Ohio in 1936, and made an assistant manager of the western department in 1941.

Elected a vice president of the company three years later, he moved to the home office in Hartford, Conn. In 1953 he became president.

Mr. Hullett is a director of General Adjustment Bureau, Inc., and the National Board of Fire Underwriters Building Corporation and a trustee of Underwriters' Laboratories, Inc.

FINANCIAL MANAGEMENT

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

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Washington

¶ CHARGING that the income tax law is a "mess," Henry H. Heimann, executive vice president, National Association of Credit Men, in his Monthly Business Review for July, recommended establishment of a permanent commission to evolve a new tax plan. It should be a nonpolitical commission, and should include "Government representatives, businessmen, representatives of agriculture, labor, professions, people living on fixed incomes—the real sufferers in all this heavy taxation and dwindling value of the dollar—and what might be called a technical group, which would consider the forms, the impact, and the administration of the law."

Comes now a similar proposal by the American Institute of Accountants, through its federal tax committee headed by J. S. Seidman, certified public accountant, New York. The committee advocates a nonpartisan but official commission to reexamine the tax structure. On it would be representatives of Government, consumer groups, labor, agriculture, business, educators, economists, lawyers and accountants. The Institute "would make available the skills and resources of the 28,000-member CPA organization to aid the study." And such a commission "must be prepared to challenge the most fundamental principles of the law in the face of criticisms from groups now favored by the law," declared the committee. Recommended is the "averaging" of income tax payments.

Calling the federal tax laws a crazy quilt of exceptions, exemptions, deductions and more than 100 special provisions, all covering 1,000 pages of type, the committee through Mr. Seidman warns of evidences that the public is beginning to lose confidence in the fairness of the income tax law, and adds, "Anything that shakes that confidence can shake the very foundation and survival of our Government, for collection is based on the taxpayers' willingness to pay what is due."

Mr. Seidman calls the Institute's plan for "averaging" payments the simplest of several variously developed. Each year's tax would be figured either on that year's income or on a seven-year average, whichever is lower. Upon the present year-to-year basis the taxpayer with a bunched-up income is at a disadvantage, the chairman points out. "Among these are the farmer who runs the risk of weather, the businessman who must gamble on the ups and downs of economic conditions, the child prodigy, the baseball star, the actress who has a few good years surrounded by spans of barren years."

Asking reexamination of the objective behind the concept of capital gains, the committee asks, "Is it a matter of allowing for gains that have developed over a period of years and are realized in one year? If so, a system of averaging can take care of them and eliminate the need for a special category of capital gains.

"If it is a matter of special rates to favor particular activities or to inlock capital, is a more rigid and uniform definition of capital gain needed?"

In his Business Review, before reciting some of the many inequities and harmful provisions of the present law, Mr. Heimann had written:

"The reason you have an income tax today is that we enacted a Constitutional Amendment making an income tax legal. It is very evident that when the law was debated there was some very poor thinking, and about the worst prophecy that a group of legislators could make. When it was proposed to levy an income tax of 1 per cent on your income, which was the way the whole thing started, some of the sound-thinking legislators objected, saying that if you could tax 1 per cent you could tax 20 per cent or as much as 40 per cent. Even they could not comprehend that the tax might eventually be as high as 90 per cent." Yet "the proponents of the income tax law practically accused these objectors of treason."

¶ CONTINUED substantial increases in productivity and demand in the United States and Western Europe, with their national incomes doubled in a bit more than 20 years, were envisioned in a report to the Economic and Social Council at the United Nations Building in New York by Eugene R. Black, president of the International Bank for Reconstruction and Development.

Mr. Black, while noting the conditions in certain areas were negative, declared that the overall strides of the last decade had all but eradicated even the memories of threatening problems of a few years ago, and the economy had continued to ignore the predictions of a leveling-off after the period of reconstruction.

He noted that world manufacturing output last year almost doubled the pre-war high, food production had shown a marked increase, and in general commodity output postwar has grown at a faster rate than in any like period.

What Insurance Can Do For Credit Executives

BY HARRY G. HELM
Director of Public Relations and Advertising
Glens Falls Insurance Company
Glens Falls, New York

DISCUSSING what insurance can do for credit presents difficulties, because credit means one thing to credit executives and another to me, thus making a meeting of the minds a problem. To illustrate: credit is the source of the creditman's livelihood. It is directly responsible for his food, clothing, shelter, luxuries. To me it is something entirely different. It is a thing to be used, and when abused it could mean perpetual and involuntary bankruptcy.

H. G. HELM

We have the same semantic difficulty with the word insurance. To some people it is a friend, a good and valuable one that shoulders a great deal of responsibility and worry. To others it is a goose to be plucked with the least amount of squawking.

Here is a strange commentary on human nature, and on our morals. There are many people who, left alone with a million dollars, would not think of taking even a penny of it, yet in a claim or loss under insurance, they think nothing of demanding and taking hundreds, even thousands, of dollars to which they are not entitled.

Last but not least we have too large a group of individuals who believe that insurance is not worth its salt.

Insurance in Mass Production

To me, insurance is one of the most important elements in our economic structure. All of us have heard the contentions that it has played an important part in the extension of credit, that it protects the value of property and the pocketbook, that it guarantees the happiness and the future of the family and helps to stabilize business operations.

Only a few of the most hardy among insurance men, however, have had the courage to claim the role which insurance has played in contributing to the success of our mass production operations — the thing which 999 of every 1,000 people say is responsible for our phenomenal prosperity.

But mass production in itself does not spell prosperity. As a matter of fact, it can speed up bankruptcy. A manufacturer could have a stockpile reaching from here to the moon, but unless he sells that stockpile he would be forced to close his doors, in direct relationship to the speed of his assembly line.

And so we need mass distribution, mass markets and, most important of all, mass circulation of money to make mass production a profitable undertaking. Since mass circulation is the foundation upon which all the other steps are dependent, let us take a look at the part insurance plays in helping to bring it about.

In other countries a great deal of money is taken out of circulation because of cooperatives, government paternalism and the old-fashioned custom of hoarding money by hiding it in the family coffee pot, under the mattress, or by burying it in a tin can.

In this country, with group and individual life insurance, workmen's compensation, disability benefits such as required by the New York State statute, accident and health insurance, unemployment insurance, social security, insured pension plans, hospitalization insurance, medical payments and all of the rest of it burgeoning and flourishing, the average American pays his insurance premiums or his share of them and feels free to spend what is left of his income. Thus insurance, along with credit, is a major factor in creating and supporting the mass circulation of money.

Every man who is responsible for the OKing of a request for credit or a loan knows that insurance can be an important element in guaranteeing the liquidation of that credit or loan. Insurance for the other fellow can be used effectively to protect the assets of your business, whether they be accounts receivable, mortgages, notes or any other evidence of indebtedness.

Your own national organization of credit men is responsible for studies which prove that lack of insurance or an inadequate amount of insurance leaves businesses so vulnerable when a loss or claim occurs that a large percentage of them close their doors permanently.

Saving Customer Is Vital

Though insurance sees that your accounts receivable are liquidated, you still can lose something—an important something — a customer. Therefore, you should be vitally interested in seeing that every one of your customers has an adequate insurance program, one which not only protects you but your customer as well, for sales experts tell us it costs a great deal more to acquire a new customer than to keep an old one.

Furthermore, study of the insurance program of a credit risk can give you a pretty good index to his, her or its business acumen. A poor insurance program may well indicate

(Continued on page 27)

> ***"The important thing to watch is the difference between what insurance would pay (in case of property destruction) and what it would cost for your risk to get back into business."***
> **—Harry G. Helm**

Fire Loss No More Than 25 Years Ago In Terms of Dollar's Purchasing Power

By LEWIS A. VINCENT
General Manager
National Board of Fire Underwriters
New York, New York

Shakespeare was not talking about credit when he spoke of a man's "good name," but he could have been, because today the two are almost indivisible. Whether a billion dollar corporation or a small firm, a businessman or a clerk, a housewife or a student, credit—or its refusal—has at some time influenced the course of their lives, at least been a major factor in their wellbeing.

L. A. VINCENT

And wherever credit is involved, there, also, you will find insurance which throughout its long history has been indemnifying men and women for what fire, windstorm, explosion or other forces of nature have destroyed.

Every day capital stock fire insurance companies are paying out large amounts to indemnify purchasers of all kinds of insurance—to help them restore or replace property damaged or destroyed, to assist them through sickness, to keep families together after death or disability strikes a household.

It is the constant ebb and flow of these insurance dollars that forms the cornerstone of American faith and credit—two intangibles which are so indispensable to our dynamic economy. In addition, it provides billions of invested capital to help supply buildings and land, working tools and capital. It is the keystone of credit, securing the security behind the credit itself.

Today, no bank would think of loaning money on real property improved with buildings unless the borrower carried adequate insurance. Nor would any finance company loan money on the security of automobiles, radio or television sets, refrigerators or household furniture without first inquiring as to the kinds and amounts of insurance the borrower has. Furthermore, the borrower is required to maintain such insurance. The time is long since past when a merchant or his creditors would run such risk unless adequately protected by insurance.

If the property which has formed the basis of credit be destroyed by forces that are insured against, these companies make it possible for the debtor to redeem his promises if—and this distinction is important—the extent and character of the insurance protection are commensurate with the amount of credit involved, that is, the value of the property.

In this connection, the interests of creditor and debtor alike demand that those to whom credit is given not only carry full insurance to value on all their physical property, but likewise place behind their business ventures the protection that these companies offer against other hazards always menacing commerce and industry.

Lewis A. Vincent, general manager, National Board of Fire Underwriters, began as a field engineer in its Chicago office 25 years ago. In 1933 he was attached to the general manager's staff in New York. In his early years he also served on technical committees, promoted school programs, instructed at fire colleges, supervised fire and salvage corps.

In 1937 Mr. Vincent was made assistant secretary, five years later assistant to general manager, in 1945 was placed in charge of the actuarial bureau and organized its present basis of statistics. 1940-55 he was consultant to the War Department and secretary of the committee that wrote the President's manual on fire protection for civil defense; 1947, assistant executive director, President's Conference on Fire Prevention.

Born in Meriden, Conn., he attended Wesleyan University. He is a graduate of West Point. Among offices held: trustee, Underwriters Laboratories, Inc., and New Jersey State Safety Council; director, Sanborn Map Co.; director, vice president and general manager, NBFU Bldg. Corp.

That is one reason why the capital stock insurance companies encourage fire prevention and protection.

Today, fire losses are at a record high—they amounted to $885 millions last year. But consider what they might be were it not for the determined efforts of the capital stock fire insurance business and the awareness of the public to the ever-present need for fire prevention. Take, for example, the number of building fires. Last year the total increased about 2 per cent over 1954. This total, however, was slightly less than that for the average for the last five years.

Amounts of losses increased even less the last year—1.6 per cent. Yet this small percentage increase represented $15 millions in property needlessly destroyed.

While these losses dollarwise are greater than ever, they are in actuality no greater than they were 25 years ago, if we consider the purchasing power of today's dollar and other factors related to the economy.

It takes no argument to establish that there was less property to burn in 1954 than in 1955, and certainly much less five years ago. Yet the number of building fires has hardly increased.

Don't these facts speak well for fire prevention?

Now let us examine actual dollar losses and see where we stand. Go back 30 years. In 1926 fire losses amounted to just over $500 millions. If we put today's fire losses on the basis of the 1926 dollar, the adjusted 1955 figure would be slightly under $500 millions in place of the $885 millions that it amounted to in 1955. And that, regardless of the much greater number of buildings and accompanying greater concentration of stocks and contents! Regardless, too, of the nation's short-term consumer debt, which has about quadrupled in the same 30-year period.

If we carry this analysis back 55

years we find that the percentage of national wealth destroyed annually by fire is now one-third of what it was in 1900.

Another fact that speaks well for fire prevention is the relatively small number of business failures that results from fire—or, more specifically, failure to provide adequate insurance. A recent Dun & Bradstreet analysis of 10,969 business failures in 1955 showed that only 82 were the result of fire.

Automatic Sprinkler Rules Liberalized in N. Y. State

Revisions in the New York State labor department regulations governing automatic sprinkler systems in factories and other non-residential structures, Industrial Code Rule #20, became effective August 1st. Now permitted are spray-type sprinklers, reducing the number of sprinkler heads needed, a step toward economy without loss in the safety factor for workers.

Advantages gained by those installing or modernizing sprinkler systems include: being able to allow greater distances to exits on each floor, larger occupancy, and use of less fire-resistance construction. Industry also may now have plans examined and sprinkler systems tested by recognized impartial non-official insurance rating organizations as well as the State labor department. Formerly, the labor department lacked specific authority to accept such certifications.

Penny-a-Check Insurance

Insurance protection, hitherto too costly for the average store owner who cashes checks, now is within reach, following establishment by the Surety Association of America of a new, low rating for merchant forgery bonds, provided the individual, his check and identification papers are photographed first.

A Recordak microfilmer simultaneously takes a picture of a person and his check and identification papers in a single image. If the photographic system is used, merchants can get protection at the unusually low rate of 1 cent a check. The insurance protects merchants, up to $200, on Government checks, post office or express company money orders, and business checks of companies located within a radius of 75 miles of the merchant's store. Protection up to $50 an item is provided on any other kind of check.

The Recordak microfilmer now is being used by a number of grocery chains and supermarkets for check-cashing purposes, according to F. L. Hilton, vice president of Recordak Corporation.

Phone Answering Service Covered in New Policy

A telephone secretarial service liability policy, now available from the Fireman's Insurance Group, covers negligent acts, errors or omissions in the performance of service for others in the business of the insured, as a telephone secretarial service. The policy, written with a deductible of $100 a claim, carries a premium based upon a rate of $10 per operator, with basic limits $25,000 per claim and $25,000 annual aggregate. The policy does not apply to liability assumed by the insured under any contract or agreement; to libel or slander; to any fraudulent, dishonest or criminal act by the insured or any employee of the insured; or to loss or expense due to war.

On a discovery basis, the policy applies to claims arising out of services performed prior to termination of the policy and reported to the insurance company while the contract is running. It applies also to claims arising after the termination, provided the insured had given written notice of potential claim before the expiration.

Accident Frequency Record, Nationwide Insurance Says

With $43,431,000 paid out in claims costs as of June 30th, Nationwide Insurance company showed a first-half all-time high in accident frequency among policyholders, said Murray D. Lincoln, president, in line with the overall comment in the *National Underwriter* that "while expenses have tended to rise, the big difficulty has been the relentless and immoderate increase in losses."

The Nationwide Insurance company formerly was Farm Bureau Insurance Companies.

Controllers Name Flynn

James F. Flynn, controller, Commercial Credit Company, has been elected a director of the Baltimore Control of Controllers Institute of America.

INSURANCE IN THE ATOMIC WORLD

Syndicate to Underwrite Risks on Industry Nuclear Reactors

BY J. DEWEY DORSETT
General Manager
Association of Casualty and Surety Companies
New York, New York

Time marches along in insurance also. Now insurance against radiation hazards in industry comes a step closer to reality. A special committee, after studying the problem for months, has come up with a provisional program for a syndicate of insurance companies to underwrite radiation hazards on industry-operated nuclear reactors.

The program, it is believed, may encourage more widespread industry use of nuclear energy. Despite Atomic Energy Commission encouragement of private industry to construct atomic reactors, prospective licensees have hesitated to undertake construction without adequate insurance against the dangers inherent in such an operation.

The program provides for insurance covering the construction, installation, operation and maintenance of nuclear reactors used for industrial, commercial, research and experimental purposes. The coverage will be for third-party bodily injury and property damage liability insurance against loss or damage caused by radiation. All other forms of liability coverage will continue to be insured by the individual companies.

Capacity coverage of $50 millions is anticipated.

INSURANCE is rapidly preparing to take its important role in hastening the consummation of a golden era in a new world, in which the mightiest power man ever has harnessed will give us an economic prosperity and standard of living beside which the present will seem as backward as the days of tallow candles and stagecoaches.

J. D. DORSETT

When I had the happy responsibility to announce that a group of casualty insurance companies—numbering more than 70—were prepared to participate in a syndicate to insure radiation hazards on nuclear reactors operated by private industries, the announcement was more momentous than its technical and scientific language indicated.

It means that, just as quickly as essential underwriting and administrative principles can be set up, the insurance will be available and private industry need wait no longer with building the reactors which will create atomic energy. The future is closer than we think!

History proves that populations, trade, business, industry, wealth and insurance all grew together, each dependent upon the other and each indispensable to the other.

What would be the world condition today if, beginning 3,000 or 5,000 years ago, insurance had not "spread the risk" and the cost of venture, and thereby permitted peoples of different countries, across deadly perilous routes of travel, to trade with one another? Certainly standards of living would be lower.

Government did not provide that protection. If it had, almost instantly there would have been government control over everything. Today our free enterprise system would perish, and with it freedom itself, because industry, business, trade, prosperity, insurance and human liberties are as interdependent as protons and electrons. The protection of insurance has provided the stimulus for venture and progress in an atmosphere of personal and corporate freedom.

The first known insurance office in America was established in Boston, in 1724. The colonists needed manufactured goods from the homeland, and the homeland eagerly sought the New World's furs, tobacco and other products. So a lively trade was soon thriving between the two.

But the New World wanted ships of its own, and the opportunity to trade with other parts of the world. The biggest problem was pirates—just like 3,000 or 5,000 years before in Greece and Phoenicia. Then Mr. Joseph Marion, a notary public, opened an office in Boston for "personal underwriting" of ships and ships' cargoes. Out of that single act emerged our great fleets of swift clipper ships and what ultimately was to become the great merchant marine of the United States. America began to flourish. Capital, investors and people began pouring in, to begin the building of a new empire with an unparalleled destiny.

Then man learned to make steam do its work faster, better and more economically than human hands and backs. It was denounced from rostrum, pulpit and cracker barrel as a "work of the devil," but progress was not to be denied. New forms of insurance were developed to indemnify investors, builders and travelers against the additional hazards and blessings this new giant had brought. Thus buttressed against loss, venture and finance sprang to life, railroads joined the two oceans, and travel time across the sea was reduced to a fraction.

Came the turn of the century, the peak of the gas light days—and bicycles. The bicycle had become so popular—and its riders apparently so daring and reckless—that it was creating "critical tragic congestion and hazards." Insurance companies had begun providing accident insurance and the bowler-topped dandies who pedaled with reckless abandon through teeming streets were creating a most serious underwriting problem. But the bicycle has contributed its mite to the march of progress.

This brings us to our machine age —machines to do our work, machines to give us recreation, machines to whisk us to distant places on business or pleasure, and now we even have machines to think for us.

And again, beginning with the dawn of the machine age when steam was harnessed, insurance was on the job. The need for and responsibilities of insurance multiplied as rapidly as the ever increasing hazards our new American way brought with its bless-

GENERAL MANAGER of the Association of Casualty and Surety Companies since 1944, J. Dewey Dorsett is a member of the North Carolina Bar and former chairman of the North Carolina Industrial Commission.

After a year at Guilford College he transferred to the University of Carolina, was graduated in 1922, and within a month was sworn in as clerk of the superior court in his native Chatham county. He resigned five years later to become assistant cashier of the Chatham Bank, Siler City, N.C. He gave up the Industrial Commission post in 1937 for his present office.

Mr. Dorsett is also secretary-treasurer of the National Association of Casualty and Surety Executives.

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ings. More and more people needed the protection of insurance, as did corporations, investors, bankers, financiers, and all the others who are willing to venture considerable to gain a little.

Prevention, the Next Step

But even that was not all. Indemnification—payment of a loss after it occurs—had long been the basic word in insurance. It still remains the basic word among underwriters, because it means the fulfillment of contractual obligations. Soon, however, it became evident that indemnification needed a partner, if insurance was to meet its new obligations. That partner's name was "prevention." Machines, it had become all too apparent, could kill and maim as suddenly and completely as they could produce and supply.

The death and injury rate in manufacturing plants was mounting at an appalling rate. The public, public officials, employers, labor organizations and insurance underwriters were alarmed. The insurance companies went into action. They saw that if steps were not taken promptly to *prevent* accidents, not only would the whole new economy be severely hurt by crushing controls and restrictions, but the cost of insurance would be driven beyond the reach of all but a comparative few. They knew that sound underwriting called for the lowest possible prices spread over the greatest possible number.

So *prevention* became synonymous with *indemnification*. Staffs of com-

(*Continued on page 29*)

MANAGEMENT AT WORK

. . . . a problem case is solved

By GEORGE P. GRASS, American Name Plate & Mfg. Co., Chicago

"IN God we trust, all others pay cash" may be the safest policy for some situations, but it certainly would not be the best way to help the sales department promote new accounts, on which our business, as well as any progressive enterprise, exerts much effort. Such accounts present a credit problem involving careful analysis for procedure, as "first impressions are lasting impressions."

Our approach to this problem was resolved by application of a "process of standards" established by the founders of our company. By this procedure, in the many years of the management policy, we have been able to increase our customer roster each year.

Of all the new account problems, the most challenging are the new company formations on which very little, if any, credit information is available. According to the most recent mercantile statistics, there are 1,500 new businesses started daily.

When the new accounts of new businesses reach the credit department, special care must be taken to assist the sales department in handling the order. Financial counseling should be considered to balance the enthusiasm of the new management "to get started." Here is where the credit department must analyze the second "C" in credit—CAPACITY. At first contact with the new customer, either personally or by correspondence, CHARACTER may be evident and evaluated, and CAPITAL more often limited. Credit is needed and many times a substantial amount is required.

One supplier's insistence on cash arrangements may upset the initial investment reserve. One supplier's curtailment or limitation of prime material requirements may unbalance the production schedule of the new venture.

Our company's credit evaluations are stimulated by the nature of our product, special order metal manufacturing. Each product is for specific use of the individual customer and involves decorative and functional panels and trims; precise operational charts and dials for precision machines; and media for artful advertising of the customer's product.

CREATORS of the "process of standards" described herewith by George P. Grass (standing), treasurer and credit manager, American Name Plate & Mfg. Co., Chicago, were George T. Bunker, Jr. (center), chairman and secretary, and Carlton H. Johns (left), president and general manager.

Acquaintances at the University of Wisconsin, Mr Bunker and Mr. Johns got together again in founding the company in 1935. Mr. Johns directs and develops the manufacturing out of years of experience in process and production control. Mr. Bunker meanwhile had been sales manager of several wholesale and manufacturing companies.

Developing the Product

An unusual new-business problem came to us two years ago. As is often the case, we were called upon to help develop the product to be manufactured. Our sales manager called in our head art designer and the plant superintendent for suggestions as to pattern, type of metal and processing.

One of the partners, Mr. Frank (as we shall call him), of the "Frank and Earnest Company," presented the full details of what they were going to market and how they planned to handle distribution. It was a competitive item but they had a new approach on customer acceptance and sales promotion. Much time, thought and effort were contributed by our staff, and Mr. Frank became more enthusiastic as we came to creating the effect they had desired to achieve. Several ideas were agreed upon. Our art department was ready to make sketches for the other partner's selection.

The second step came when the value of the order was estimated and it came time to talk credit. Our sales manager brought Mr. Frank to my office. We reviewed the initial requirements and projected the possi-

bilities of future reorder quantities. The first order came to a little over $2,000, including special tooling costs.

Mr. Frank (as indeed he was) proceeded to review their plans, starting with an initial investment of moderate but ample funds. Several variations of the item would follow if this first one proved salesworthy. They had surveyed the market for distribution and concluded to confine their sales effort to a local area, to test the supply and demand aspects. In addition, they had made spot checks on national distribution and were encouraged with the acceptances. Timing of our facilities was of great importance to this pilot run, as the finished product was to be marketed for the Holiday trade and we were already into the middle of July.

Offers 50% Cash Advance

Here indeed was an exemplification of CHARACTER in credit. A customer had figured out all the angles and presented them to his supplier in clear and concise terms. Capacity also was clearly established. Recommendations were made to confine initial production to conform with their investment and the volume of potential sales. Capital was honestly stated.

The clincher came when Mr. Frank proposed to place this first order and send us 50 per cent cash advance to cover the cost of tooling, special art work and makeready costs with sample runs. This decision emanated from their realization that a new business would need a credit reference survey, which they could not amply provide. The arrangement was offered to all their more substantial suppliers on this first order. Routine request was made for any possible references at this early stage of their new business, and the name of their bank. The balance of the order was placed on open terms.

A few months later, we were pleased to write this letter:

Gentlemen:

Thank you very kindly for your new order involving 6,000 plates of various items from 1 to 4.

We are pleased to see that you are really progressing in your new enterprise and wish you the best of luck and continuing success in the distribution of these items.

This order amounts to $2,700.00 and will be placed on open terms as

(Concluded on page 31)

New Yardstick For Measuring Employee Dishonesty Exposure

By G. E. SUMMERHAYES
Senior Fidelity Underwriter
The Fidelity and Casualty Company of New York

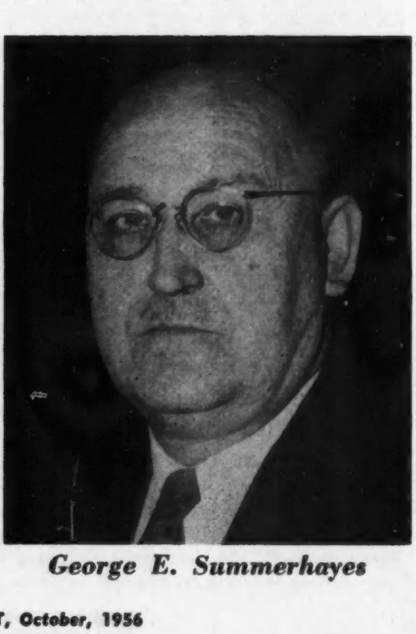
CREDIT executives have devised their own standards of measurement, seeking to make certain that their approval of credit is well-founded and that, so far as tangible factors are concerned, no loss should eventuate from their affirmative decision. Nevertheless, all their care and skill cannot foresee and control the intangible and unpredictable factors which enter into every picture of credit extension and are responsible for many credit losses.

One such factor is the possibility that the debtor suffer a sharp reverse changing him practically overnight from a good credit risk to a poor or bad one. Perhaps the most easily overlooked cause of such a reverse is the debtor's financial impairment due to the dishonesty of his employees. They may systematically siphon away the firm's resources to the extent it is unable to pay its obligations or perhaps even to continue as a going concern. With the great expansion of business that has taken place and the growing decentralizing of authority, the number and frequency of serious employee dishonesty losses is increasing alarmingly and must loom ever larger in the mind of the professional credit executive as a source of possible disturbance in the credit risk. Insistence upon insurance of proper kind and amount is the simplest and surest means of restoring a credit risk so impaired.

It is doubtless already of deep concern to credit managers that employee dishonesty insurance often has not been carried by debtors, or, when carried, so frequently has been in an amount insufficient to cover the loss, sometimes devastatingly so. Underinsurance against the dishonesty of employees is so prevalent and so serious that the insurance industry itself must bear a share of the responsibility. It simply has not succeeded in convincing employers that blanket employee dishonesty insurance in realistic amounts is a vital need and a justifiable business expense.

Perhaps it is not strange that the industry in that regard has achieved only the meager success demonstrated by the record. It does not have the assistance of the publicity which attends other types of losses threatening or impairing a firm's financial position. One reads daily about losses due to fire, marine, windstorm, burglary and robbery. They are accompanied by considerable commotion and human interest, which is news, and therefore are eagerly broadcast by the press and radio. Not so with employee dishonesty. Any victim of that does his best to keep it quiet. His natural instincts are to suppress knowledge of the happening so that his competitors are not advantaged and his creditors not disturbed. The event never becomes news unless the defaulter is arrested. The record shows that for every defaulter exposed to the bright blaze of such publicity there are myriad others who escape it.

Nor does blanket employee dishonesty insurance have the advantage of the obviously applicable measuring standards available to other forms of insurance. Fire insurance, for instance, is usually purchased in the approximate value of property at risk because all is potentially exposed and total loss may result. Thus the amount of insurance chosen is derived from a definite measuring standard. It would be unreasonable, however, to counsel the purchase of employee dishonesty insurance in that way. While all the assets are continually exposed to employee dishonesty it is not likely that all could readily be abstracted in one loss or even a single series of losses. How much blanket employee dishonesty insurance a firm should carry to assure reasonable adequacy of coverage for any loss it may suffer, has heretofore been a "guesstimate."



George E. Summerhayes

To determine the proper amount of employee dishonesty insurance is complicated by so many different types of business presenting differing exposures and, within those types, different functions. Manufacturer, wholesaler, retailer or service enterprises all conceivably offer varying degrees of exposure. It is complicated too by the variations in the systems of audit and control used.

Good systems definitely make the property of those employing them less susceptible to employee stealing, the quick discovery of default more likely, and the size of the loss more controllable, than is the case with other firms of the same size and type of business with inefficient checks and controls. Nevertheless, it has been proved over and over again that the very best methods of audit and control can be and constantly are evaded by the clever defaulter. Alert executives know that, after everything possible has been done to make employee dishonesty difficult, it is still necessary to supplement controls with insurance. The first may hinder default; the second makes the loss good. It is thus the second that is of more consequence to the credit manager.

Having decided that employee dishonesty insurance is *not a fair business hazard* but instead is an insurable risk the employer usually asks a perfectly reasonable question of his insurance consultant, "How much blanket employee dishonesty insurance should I carry to protect my

firm's assets?" Even those in the business of insurance who have specialized for years in this type of insurance coverage, and its results, have been unable to give an authoritative answer. Despite the greater knowledge they possess of the frequency and size of individual losses sustained, they could not offer sound professional advice on the point simply because there have been no recognized standards of measurement for the hazard.

Realizing this possible defect in our public relations, and the impelling need for adequacy in this essential coverage, the Surety Association of America, the originator of the broad and modern coverages now available in this field, appointed a committee of experienced underwriters to study the possibility of devising a generally applicable formula. The committee had the valuable assistance of the association's staff and actuary.

Exposure Index Devised

Four years were spent on the task, developing information, appraising it, testing it and weighing it. Although the closer the view of the problem the more abstruse it tended to become, it was finally resolved in a manner which has met with wide acclamation as a workable solution. The resultant exposure index has been published by the Surety Association in its booklet, "How Much Honesty Insurance?", which is available to anyone interested.

The formula is based on a review of employee dishonesty losses in excess of $10,000 sustained by insureds and reported to surety companies in the 10-year period 1942-1951, and an analysis of the financial and other elements of each company involved. The inquiry was restricted to those larger losses because, although lesser losses were numerous, their smaller size present no major threat to the well-being of any but firms of the most limited resources.

Not all the large losses sustained during that period were within the study. Many had been completely uninsured and thus unreported. Nevertheless, the factual information which the committee accumulated was sufficient to point up and to justify the conclusions reached and to serve as a means of testing and checking the formula devised.

The significant revelation of the

(Continued on page 32)

The Mercantile Block Policy Aimed at a Vast Market

"All-Risk" Packaging of Coverage on Stocks of Goods Is Now Made Available

By JOHN J. HULIGHAN
Marine Superintendent
The American Insurance Company
Newark, New Jersey

MERCANTILE block insurance is "all risk" property damage insurance for wholesalers, distributors and retailers, to insure their (1) stocks of merchandise; (2) furniture, fixtures and equipment (optional); and (3) tenant's improvements and betterments (optional).

J. J. HULIGHAN

The word "block," as it has been and is being used in the insurance industry, is taken from the French "en bloc," which means the consolidation of a number of things into one.

Traditionally, in the property damage insurance field certain lines of insurance have been identified with a particular branch of the business: fire insurance in the fire underwriting department of a company, burglary insurance on stocks of merchandise in the casualty underwriting department, and transportation insurance in the marine underwriting department. Now, however, there is a tendency to eliminate these far from imaginary lines of demarcation (at least to reduce their application) and provide the public with a streamlined type of insurance coming within the broad designation of "packaging."

Most Classes of Business Eligible

The mercantile block coverage is available to hundreds of types of wholesalers, distributors, and retailers. Most classes of business are eligible for this protection. For the eligible risk, instead of buying various "named peril" policies and hoping one of them will cover the loss when it happens, the mercantile block policy written on an "all risk" basis practically eliminates the element of chance or guesswork. By way of explaining the terminology used in the foregoing, an "open stock burglary" policy is what we call a "named peril" contract, in that basically it provides insurance protection against burglary only, in other words a "named peril." On the other hand, the Mercantile Block Policy is an "all risk" type of policy in that all perils are insured against, with certain exceptions.

One very desirable result of this so-called packaging (aside from having broader protection made available) will be that a greater part of the premium dollar can eventually be passed back to the public once a credible volume of this packaged protection is written and an experience developed.

It is expected to appeal to insurance-conscious rather than loss-conscious people, and while it is aimed at a vast market, there will be a greater degree of selectivity than with the individual lines. This should serve to reduce the "moral hazard" exposure to a considerable degree.

While the foregoing remarks might indicate that the idea of writing "All Risks" on stocks of goods is a new venture, actually it has been done for some time but only for a few types of business such as jewelers, furriers, camera and music dealers and fine arts dealers. What might be labeled new is the fact that practically the same type of protection will now be available to a great many more commercial risks.

Now to become more specific. In other words, let's get down to cases but try not to be too technical.

Q. What are some of the advantages of this policy?

A. One policy instead of several; Broader protection;

Insured property is covered on and off the premises, including while in transit.

Q. While this is referred to as "All Risks" protection, how does the policy state what it insures against?

A. The insuring clause reads as follows: "This policy insures against all risks of direct physical loss of or to the property covered while anywhere within the Continental United States or in transit in Canada, except as hereinafter excluded or limited."

Q. What property may be covered?

A. The policy provides for coverage on stocks of goods including materials and supplies entering into the packing, handling, shipping and sale of such stocks, including advertising material, the property of the assured or sold but not delivered. The policy also covers similar property held in trust, or on consignment or commission, or on joint account with others. Property of others left for storage or repairs is also covered, including the assured's interest in materials, labor and charges furnished, performed on or incurred in connection with the property of others.

Furniture, fixtures and equipment, the property of the assured and pertaining to the assured's business may be included at the option of the assured.

Improvements and betterments made by the tenant assured at the tenant assured's expense may also be covered at the option of the assured. This would include fixtures, altera-

Watch for This Very Important Article in a Forthcoming Issue

"The Tax and Legal Aspects of Life Insurance," by Bernard M. Eiber, co-general agent, Bergen-Eiber Agency, Brooklyn, New York, will present valuable information to credit executives in a discussion of certain provisions of the Internal Revenue Code and the Decedent Estate Laws, how these statutes are used by life underwriters and other estate planners, and how some of these provisions are abused or not used.

tions, installations, or additions comprising a part of the building, but which are not legally subject to removal by the assured.

Coverage at Locations

Q. As far as coverage at locations is concerned, how is this taken care of in the policy?

A. In the non-reporting form, all locations owned, leased, operated or regularly used by the assured are usually listed with separate limits of liability applying at each. A blanket arrangement is used to provide coverage at all other locations. In the "premium adjustment" plan essentially the same method is used.

Q. Are there any locations or situations treated specifically?

A. A few worthy of comment: goods sold on an instalment plan after delivery to customers are not covered but may be insured separately, as in the case of shipments by mail which are also excluded. Keeping our geography in mind, no coverage is provided in Alaska or while in transit to or from Alaska.

Property Exclusions

Q. Even though the description of property covered is quite complete, does the policy exclude coverage on certain types of property?

A. Yes, and although some of the property exclusions may be very pertinent to a given risk it would appear the most important would have to include the following:

The exclusion of currency and money;

The exclusion of property actually being worked upon against loss directly resulting from such work;

The exclusion of property while unattended in a motor vehicle or trailer against loss by theft unless there is a forced entry (this exclusion does not apply to property in the custody of carriers or bailees for hire);

The exclusion of steam boilers;

The exclusion of property in the open against loss by rain, snow or sleet (this exclusion does not apply to property in the custody of carriers or bailees for hire);

The exclusion of glass or articles of a fragile or brittle nature unless the loss is caused by certain perils including fire, vandalism and malicious mischief, burglary, and colli-

(Continued on page 35)

New Personal Theft and Broad Form Policies Increase Coverage per Dollar

By JAMES H. MURPHY
Superintendent, New York Burglary Division
Fireman's Fund Insurance Group
New York, New York

JAMES H. MURPHY, native New Yorker, has been associated with the burglary insurance industry for more than 25 years. After a period in the advertising department of the old* New York Evening Journal *he became associated with the burglary department of National Surety Corporation, now a member of the Fireman's Fund Insurance Group. He has been a member of many committees of the insurance industry, also engaged in studies associated with the burglar alarm and safe manufacturing industries.

In World War II he was in the Army service in the North African and Italian campaigns.

SWEEPING changes in two major burglary contracts this year bring to the insurance buyer even more coverage for every dollar invested in protection.


J. H. MURPHY

Both the old residence and outside theft policy and the householders' limited theft policy have been revamped—even the policy names. The former is now labeled the broad form personal theft policy, while the new tag for the householders' form is the personal theft policy.

More important than the name changes, however, are the elimination of many limitations and the increase in scope of coverage. Basically, each contract continues to insure personal property from theft, robbery and burglary. On the new side in both contracts is worldwide protection, rather than in the western hemisphere only. In addition, the broad form policy also now includes mysterious disappearance. This is particularly important to people who travel, as vacationers everywhere seem to experience mysterious and unexplainable losses away from home.

Both policies give coverage both within and away from the home. "Away" means just what it says: around the corner or around the world. People away from home for weeks, days or even hours, invite the thief—amateur or professional—who needs only a few minutes to pull off a haul of valuable jewelry, furs and other possessions.

Vandalism and malicious mischief are another important coverage in both of the personal theft contracts. Often the cost of repairs to a home or furnishings, damaged in a theft, greatly exceeds the actual value of the stolen property.

Here is a case in point, reported by a big game hunter whose home sheltered a valuable collection of firearms and mounted animal heads. One afternoon, while the family was away, three boys entered the hunter's house. The "amateurs" stole only such delicacies as cake, ice cream and soda pop, but the game hunter's den was the big lure. Police found no less than 200 rounds of ammunition had been fired with expert marksmanship—rendering irreparable damage to the animal heads.

Coverage on property entrusted to any carrier-for-hire is now included in both theft policy forms. Insured property is also covered while it is in a safe deposit vault, a public warehouse, or even in the basement, laundry or other room in apartment buildings which have been set aside for common use of all tenants.

Off-Premises Coverage

Both contracts include in the off-premises coverage the loss of property from locked automobiles which have been forcibly entered. The broad form even includes theft of property from an unattended car.

One of the most valuable changes, from the policyholder's standpoint, is the automatic extension of coverage to a new home when the policyholder moves during the contract term. No longer is it necessary to inform the insurance company of such a move, because the same theft coverage moves right along to the new home. Even if the move takes the policyholder into a territory where rates are higher than they were in his former locale, there is no increasing of premium during the policy term.

Still another important point in each of these contracts is protection for guests' property when in the policyholder's residence. Consequently, should a burglar slip into the house when a party is in progress and get away with a guest's fur coat or handbag, the policyholder would be able to make up the loss.

The basic difference between the new broad form personal theft policy and the personal theft policy lies in the scope of protection. The broad form has fewer limitations, takes in more ground, and costs more. On the other hand, the personal theft contract provides excellent protection for many families at a lower cost that fits into the average insurance budget.

Quiz for Credit Executives

Do you consider yourself an insurance "whiz"? Then rate yourself on the following quiz (which appeared in *The American Agency Bulletin*):

A retail merchant who carried an automobile liability policy with limits of $20/20,000 bodily injury and $5,000 property damage is held negligent for an accident and as a result the following judgments are awarded:

Claimant "A" $5,000 for bodily injuries

Claimant "A's" wife $2,500 for bodily injuries

Claimant "B" $30,000 for bodily injuries

Claimant "B's" wife $25,000 for bodily injuries and $5,000 for loss of her husband's services.

Claimant "B's" car valued at $2,750 was destroyed.

A. What is the insurance company's liability for each claimant and the company's total liability?

B. Would the company pay for an injury to the insured?

(For answers see page 41)

Critical Look at Insurance Programs of Supermarkets

BY WILSON D. SKED
Assistant Vice President
Marsh & Mc Lennan, Inc.
Chicago, Illinois

WHAT are some of the more important general insurance problems and the sources of loss in the supermarkets throughout the country? Are there substantial premium economies available or new concepts in insurance thinking available for a well integrated general insurance program of supermarkets?

This article deals with some of the basic requirements for the development of the general insurance program for supermarkets and an analysis of certain important exposures to loss and concepts in coverage that can be taken into consideration and embraced in such an insurance program.

Every market venture contains some elements of risk. The successful ones are those who appreciate that risk does exist, who calculate risk potential against the possible financial rewards, and who devise ways to reduce risks to an acceptable level when careful examination reveals they are too high.

Sound long-range planning of an insurance program and careful administration are vital. Many times management is less aware of what it is getting or what it should get for the dollars spent for insurance than for almost any other money. Insurance is usually a low cost item, inconsequential when compared with total sales. The value of money invested in insurance is not easily discernible until the unexpected does happen. The determination of major risks and risk management involves responsibilities which top supermarket management cannot overlook. The importance of insurance should be viewed in terms of coverage and not cost. It is not merely a matter of premiums: it is a matter of total assets of the business.

If a supermarket operator is worried about the high cost of insurance, then probably the possibility of loss is great. Ways and means should then be devised to reduce the possibility of loss to an acceptable level. An insurance program, for example, may be costly because the high volume of small claims collected seems to offset the expense. Here dollars are just being swapped with the insurance company. In a sense, self-insure where there is no danger of a catastrophe. Pay out losses as a business expense instead of paying the insurance company for claims plus an additional cost for handling and service. Examples of this can be found in the form of collision insurance with a low deductible and plate glass coverage for perils other than those covered by the fire and extended coverage contract.

DISCUSSING "Credit, Customers and Insurance" before the Group meeting of the Electrical and Electronics Distributors, at the Credit Congress in Cincinnati. Topics and panelists (l to r), all of Marsh & McLennan, Inc., were: "Business Interruption and Life Insurance," W. E. Jeffrey, assistant vice president, New York; "Casualty and Surety Coverage," Wilson D. Sked, assistant vice president, Chicago; "Fire Insurance and Allied Lines," Ralph E. Brown (standing), vice president, St. Louis. Mr. Brown is NACM vice president, central division.

Long-Term Security Needed

When a supermarket becomes insurance cost conscious, it may find itself shopping around. What supermarkets should be seeking is long term security, and that can come only through continuity of relations with the same insurance company, broker or agent, so long as the needs are served or until the supermarket outgrows the facilities afforded by its insurance connection.

The desirability of insurance varies directly with the size and possibility of a loss up to a certain point. That certain point differs with each supermarket or chain of supermarkets. If the possibility of loss is remote and the losses themselves are small, the need for insurance is limited. As the frequency rises and the magnitude increases, insurance becomes more desirable.

How do supermarkets go about building a sound general insurance program? Many executives feel their worries are over when they delegate the responsibility for insurance. While management may delegate the responsibility, it cannot escape final accountability. Because of this, it is essential that the executive be consulted with respect to what risks should be insured, what risks should

be borne by his supermarket, know what the insurance program should accomplish, establish procedures to reach the objectives of the insurance program, and check the results periodically to see that the job has been done. In this manner, supermarket executives will know how well their decisions are being carried out.

Little can be done without a thorough knowledge of the hazards that exist in the supermarket industry. Reviewing policies periodically is not sufficient. Exposures must be reviewed and risks analyzed in the light of the supermarket's own situation.

When the basic information is at hand, the help of outsiders should not be discounted. Professional advice is highly important. There can be serious consequences in the arrangement of insurance from poor judgment and lack of experience.

Best Sources of Advice

Where do you go to get this advice? The insurance carriers have a wealth of information and they can be of assistance and guidance to supermarkets from the experience which they have accumulated from other similar risks. Agents representing insurance companies and insurance brokers have valuable information; many of these are well qualified and their advice and counsel should be sought. Insurance consultants are also available. Professional appraisers of property should not be overlooked in connection with property valuations, and constructive help can be secured from certified public accountants and attorneys.

After the exposures to risk have been surveyed and professional advice has been obtained, a study should be made of the fundamental risks to determine whether they can be eliminated or reduced. The major losses that could occur should next be evaluated. What could happen and how much could it cost?

Top Level Discussions

Having determined the risks and the possibilities for reduction of risk, and having established the direct and indirect losses that could occur, supermarkets should be in a position to establish policy with respect to their overall general insurance program. Now there should be top level discussions concerning what kinds of risks will be insured and how they will be insured. Supermarkets will then end up with a clearer understanding of management toward the problem of insurance, and at the same time there can be conveyed to the man responsible for insurance the extent to which management wishes to delegate to him any decision-making with respect to his activities as the insurance buyer.

Supermarkets all face different problems. Consequently, the insurance programs and policies should be tailored to fit the particular needs through up-to-date insurance programs and under broad and comprehensive contracts. Tailoring the insurance program should be developed more from the standpoint of quality of protection rather than from what it will cost. Insurance should be bought to replace the uncertainty of loss that cannot be afforded with the certainty of premium that can be afforded. Uninsured losses should be small enough individually and in the aggregate so as not to threaten seriously the supermarket's financial position.

Wilson D. Sked

Just as market operations and conditions change, requiring constant review and modification in practices and facilities, so does the insurance program remain unsound without periodic review and alteration, particularly to take advantage of developments and improvements in the field of insurance protection.

Three areas of exposure to loss which represents substantial expenditures on the part of supermarkets have been selected for consideration and offer perhaps some interesting concepts in underwriting.

First of all, there is the material damage insurance on the markets themselves, together with possible consequential loss. Many of my comments will apply equally to the warehouses. Then there is the matter of dishonesty insurance: fidelity, money and securities, forgery, burglary and holdup insurance. Lastly, there is casualty insurance, which includes workmen's compensation, general liability and property damage, automobile liability and property damage, and special emphasis will be placed on control of accidents which is the real key to the cost of insurance in this area of insurance protection.

Material Damage Insurance

We take up first the loss of and damage to markets themselves; merchandise, furniture and fixtures, improvements and betterments and accompanying consequential loss.

A study should be made of the merits of insuring buildings and contents, together and separately. Whatever best fits the market's interests and gives a lower cost without sacrificing anything in the way of insurance protection should be selected as the method of insuring. If there are any great fluctuations in stock in the markets, a reporting form should be considered. Such a form has a limit of loss by location which is adjustable both upward and downward and payment for insurance coverage is based on the amount of insurance actually used. This is now generally available on a three-year basis at two and one-half annual premiums. Coverage should be in satisfactory amounts to value so that there will be no penalty in the event of a loss because of the operation of the coinsurance clause.

Then there is the matter of depreciation or replacement insurance. That is the difference between replacement cost today and the replacement cost less depreciation. This type of protection may be of interest to some supermarkets.

Another problem in connection with this exposure is the valuation of furniture and fixtures. Where supermarkets have been confronted with unsatisfactory adjustments of losses on furniture and fixtures, consideration might be given to the establishment of a depreciation schedule to alleviate any future difficulty.

Protection for owned and non-owned boilers and certain other mechanical equipment which should be insured primarily for the value of

inspection or where a loss, not covered under the fire policy, might be sustained should also be considered.

If the supermarket risk is of sufficient size, perhaps the matter of material damage insurance on a deductible basis should be considered, but the premium savings should be matched up very carefully with the loss potential on the basis of past experience. "Comprehensive floater" policies, usually on a deductible basis, are available, providing all risks coverage away from store and warehouse locations. In certain areas the "dealers form" is available and under such type of contract supermarkets have all risk or named peril coverage on all contents in stores, in warehouses, etc. Such a policy does not cover the building but only the contents. This can include burglary protection.

Many supermarket chains are expanding and plans for any new supermarkets should be reviewed while they are in the blueprint stage in order to secure the lowest possible material damage rates. Changes can be made on a blueprint a lot easier and with less expense than after the building has been completed and the market is in operation.

There is an increasing tendency in certain areas to install sprinklers in supermarkets because of the credit that is available in the fire rate. When sprinklers are installed, consideration should be given to the purchase of sprinkler leakage protection and this item would then have to be added to the general insurance cost. Consideration should be given especially to the installation of sprinklers if use and occupancy insurance is not carried.

Business Interruption Insurance

This brings up the subject of consequential loss, known as business interruption insurance, or use and occupancy. This coverage is intended to place supermarkets in the same financial condition as they would have been had the loss not occurred. The policy pays for continuing expenses and the net profit which supermarkets are prevented from earning because of the loss. The loss potential and the past experience should be measured against the premium charges for such protection. The loss of sales, continuing expenses with which supermarkets would be faced, the availability of contractors in the particular area, and the elapsed time that a particular market would be closed before it could get back into operation, should all be taken into consideration.

Then there is the matter of extra expense insurance. This covers the additional expense of setting up elsewhere. Careful study should be given before purchasing such protection to make sure that there are other locations in the area of the particular supermarket operations where a market could be established in the event of a fire or allied perils.

Another item of consequential loss is the damage to food under refrigeration in a supermarket operation, and machinery consequential loss for this exposure is available. Allied in this field are the losses as the result of the interruption of power and power interruption insurance may be available. The answer may not be always insurance but careful planning may alleviate difficulties of a potential consequential loss.

In connection with dishonesty ex-

(Continued on page 36)

Insurance Company Expects Electronic System to Pay for Itself in 4 Years

AS the swift developments in automation push back the frontiers of office production, progressive managements blaze the trail in proof that business organizations share the drama of pioneering. Yet it was not drama but adherence to the following fundamental tenets of management policy, as set forth by A. C. Vanselow, assistant vice president in charge of planning, that led The Franklin Life Insurance Company, of Springfield, Ill., to become, in 1952, the first commercial company to sign a contract for a Remington Rand UNIVAC electronic computer:

"Only modern administrative methods can keep pace with rising clerical costs;

"Improved service and increased income are in direct proportion to the operational efficiency maintained by management."

Until that time the equipment had been used only by the Government, and its capabilities were relatively unknown to commerce and industry. Franklin Life definitely "had to feel its way along" in studying the application of electronic data processing. The subject was surveyed, testing scrupulously every step of the way.

Growth rate of the company—five times as fast as that of the industry over a 12-year period—and the belief of the company's president, Charles E. Becker, that "the industry will not be able to keep up with the demand for its services without adopting electronic data processing equipment," spurred the decision.

The UNIVAC was delivered in January 1955. After completion of testing in mid-March, it was put into 24-hour operation five days a week.

From $177 Millions to $1.8 Billions

In December 1939, when the present management assumed control, Franklin Life was operating in only 17 states, had $177 millions of business in force, with 175 employees in the home office. In size it ranked about sixtieth among all U.S. life insurance companies.

Since then the company has expanded to operation in 47 states, the District of Columbia, Alaska, Hawaii and Puerto Rico. Business in force in 1955 totaled $1.8 billions (an increase of over 1,000 per cent from 1939). The company has more than 850 employees in Springfield, and since 1948 has made two 13-story additions to the home office buildings, and all floor space is occupied, reports Mr. Vanselow.

Franklin Life is a general agency company. Although it has over 65 regional sales offices, it operates on a centralized basis, with all premiums billed from, and all premium collections sent directly to the home office.

Various Computers Studied

"After thoroughly investigating a number of the large and medium size digital computers then available," explains the planning executive, "we selected the UNIVAC primarily because of its ability to: (a) process both numeric and alphabetic data without special coding; (b) internally check each operation by means of duplicate arithmetic circuits in which the results of each step are compared, and (c) its high input and output speeds."

Recommendations accordingly were submitted to the president and board of directors and were approved in June, 1952. Mr. Vanselow, in charge of planning and office procedures for the previous seven years, was given full responsibility for the new program. He outlines for us the procedure followed. (See page 25)

UNIVAC ELECTRONIC computer room at The Franklin Life Insurance Company's Springfield, Ill., headquarters. A staff of nine engineers and technicians does all necessary work on computer, high speed printer and battery of 18 Unitypers. (The last-named are housed in a separate room.)

"In a general survey made with the aid of Remington Rand representatives, we determined that, to be economically sound for a medium size company such as ours, it was necessary that such electronic equipment embrace all functions involving highly repetitive tasks." In Franklin Life these included: (1) Premium billing; (2) Premium accounting; (3) Dividend accounting; (4) Agency commission accounting; and (5) Valuation of reserves (done but once a year).

Other procedures considered acceptable to electronic principles were: disbursement accounting; general accounting; agency production records; mortgage loan accounting; agency statistics; payroll; mortality studies; and calculation and checking of rates and values on new policies issued. The benefits from these, however, were not to be included in the estimates.

Five in Basic Training Group

"After determining the first five steps we wanted to put on our UNIVAC we selected a nucleus group of five persons for training as analysts and programmers. All had a good life insurance accounting background, were familiar with mechanized procedures with punched cards, could think logically and wanted to succeed in this assignment.

"Following their initial training we surveyed the departments involved. Process analysis charts were prepared on a functional basis, cutting across departmental lines, to get a complete picture of each operation. This survey consumed about 12,000 man-hours. After its completion we were ready to begin planning and programming."

General Flow Charts

General flow charts were prepared for operation of the master file, as well as related functions such as making changes in the master file, selecting premium and policy loan interest for billing, selecting and calculating dividends, calculating agency commissions, and the like. Programs were next defined and assigned to programmers who prepared detailed flow charts in the language of the computer. Department heads concerned and other planning personnel reviewed the charts to be sure nothing of major importance was omitted. Between 100 and 200 sample items were prepared to test all conditions of the program.

"Due to our radical approach to some problems, as well as our efforts to standardize for the sake of computer efficiency, a number of management decisions had to be made as we progressed, since they affected company policy and, in some instances, contractual obligations to either the policy-owner or agent."

Combined-Operations System

In setting up the overall program for the UNIVAC, consideration was given to two systems of operations: (1) *Consolidated Functions system,* based on using three separate records for each policy, including a premium billing file, a calculations file, and a policy history file. (2) *Combined Operations system,* a combination of many existing records into one record and the carrying out, at each processing of data, of many operations hitherto performed separately by different departments.

It was decided to adopt the latter system because it enabled combining at least 12 existing policy records, each of which contained approximately 500,000 cards, which in itself would result in a tremendous saving in file maintenance as well as much greater accuracy.

"This main file, known as our master file, is kept in policy number sequence within a section that includes two due days," Mr. Vanselow notes.

"The entire file eventually will consist of 110 to 120 of 1500-ft. magnetic tapes. Each policy contains 20 words of data, or 240 digits. This by way of comparison would require a 240-column punched card to record the same information.

"Because the master item for each policy was to be increased to 240 digits, it was necessary to add from manual records approximately 120 digits of information not then included on any of the punched cards." After experimenting with various methods, it was decided to microfilm all manual records for each section to be converted. In this manner, the file and data are automatically "frozen" and the original records may be released for normal processing in a matter of hours. The film is then placed on a microfilm reader and transmittal forms are coded from the data for Unityping.

The master policy item does not include name and address. A separate

name and address file maintained in the same sequence as the master file has been established. There are 10 words or 120 digits of information on this file for each policy.

"The two files are kept separately since we use the name and address file only when preparing premium and policy loan interest notices, agents' service notices, lapse notices, or dividend checks. Thus we are not faced with repeatedly passing irrelevant data through the computer. Thereby we cut the cost of computer operation. Also, by not combining names and addresses with other data we are realizing a 50 per cent saving in tapes."

The company ran a test using live data and selecting one due day that included more than 28,000 policies, as a cross-section of activity to be handled. In the test they selected and billed premiums, prepared dividends, processed premiums received, and made changes to the master file, thus processing all transactions occurring on the 28,000 policies for a period of one month.*

In converting from the old system to the electronic data processing equipment, a "block" method is followed, to permit absorption of all the operations in each block before taking on more. This is done to level out the workload during the conversion period and to enable working with a smaller, more qualified clerical staff and with a smaller file maintenance problem. To maintain 100 per cent control over computer utilization, the company engaged its own engineering staff, consisting of nine engineers and technicians, who do all the necessary work on the computer, high speed printer, and 18 Unitypers. They also carry their own extensive supply of replacement parts.

Summing up Franklin Life Insurance Company's experience with the UNIVAC system and in trying to make some sort of projection for its value to future operations, Mr. Vanselow notes: "Conversion to the UNIVAC will delay the need for further building expansion at Springfield, which in itself represents a substantial monetary saving for the time being at least.

"Many of the initial costs, such as conversion of data, training of personnel, etc., are one-time expenditures. Our costs for the training of programmers, engineers, technicians, preparation and computer checking of programs, purchase of tapes and spare parts, and preparation of test material have at this writing totaled over $150,000.

"Even if we were not to purchase the computer, we feel the reviewing of our procedures has been worth considerably more than the amount spent in the conversion program.

"We anticipate the operation of our data processing department will require approximately 35 to 40 persons to handle the preparation and coding of data, Unityping the data, and operation and maintenance, at an estimated cost of $150,000 a year. This figure does not include programming costs.

"Based on estimates we consider to be entirely conservative, we believe we shall be able to pay for our UNIVAC in four years or less out of savings, increased overall efficiency and other directions, after which time the system will be contributing a year-in-year-out direct additional profit to our operation."

* Space precludes detailing the steps in processing. Literature giving these details is available from the manufacturer, Remington Rand, and CREDIT AND FINANCIAL MANAGEMENT will be glad to obtain copies for you on request.

Use what talents you possess: the woods would be very silent if no birds sang there except those who sang best.

—The Casualty & Surety Journal

Echo Says: "Pay Double"

"Every time I am compelled to give the State an extra shilling, the State increases its economic power over me by two shillings—the shilling it gets and the shilling I lose."

This from an article by Anthony LeJeune of The Society for Individual Freedom, in its magazine,* Freedom First, *published in London.

Toronto Stock Exchange Gets Automated Quotation Boards

The Toronto Stock Exchange, which recently tallied a 13½ million share session, has gone completely over to automation, with installation of an automatic electronic stock quotation board designed and built by The Teleregister Corporation, of Stamford, Conn., subsidiary of Ogden Corporation. The new system is an outgrowth of the Exchange's dial service, in operation since 1947, which provides brokers with bid-asked prices on listed stocks.

With the new system, a display panel instantaneously and automatically displays latest bid and asked prices on any 50 stocks the broker may select. As each quotation is recorded from the Exchange floor, an operator punches it up on a keyboard which transfers the price to a rotating magnetic drum or "memory" device located in the Exchange building. This device automatically sends the prices out by direct wires to all subscribers' offices as they instantaneously appear on the display panels.

Teleregister's network of quotation boards in the United States includes 400 boards in 46 cities. A completely automatic electronic savings bank accounting system for three different banks, and an automatic electronic inventory system for a manufacturing company, are under construction by Teleregister, which also has built electronic systems for a number of airlines and railroads.

Pitney-Bowes Wins Honors; Citation to Bridgeport Brass

Pitney-Bowes, Inc., Stamford, Conn., manufacturer of postage meters and mailing equipment, won a first annual national recognition award of the Chamber of Commerce of the United States. One of five business concerns to win first-place trophies, Pitney-Bowes was judged outstanding among industries of its size in fostering economic understanding among employees.

A merit citation was awarded to Bridgeport Brass Company, Bridgeport, Conn., whose credit manager, Leonard K. Morse, is a director of the National Association of Credit Men.

New Type Stencil Sheets

New mimeograph stencil sheets highly resistant to typewriter cutout are being made available by A. B. Dick Company, in both legal and letter sizes. The stencil sheets, called the 1100 series, are durable for long copy runs, especially when used with new quick-drying inks and have a superior signature strength. They come with or without film topping.

What Insurance Programming Can Do For the Credit Executive Operation

(Continued from page 8)

that management is deficient in other important respects and so may be a poor credit risk even if the insurance program could be revamped. As you well know, adequate insurance alone does not make a good credit risk.

The ideal credit man should be an insurance expert, but from a practical viewpoint this is impossible. There are hundreds of different insurance contracts in existence, each a difficult piece of literature. I have been in the fire and casualty business 36 years, yet I feel I have absorbed but a small portion of what I should know about insurance, insurance agents, insurance companies, insurance laws and regulations and, most important of all, insurance customers.

So my recommendation is that the credit executive learn a few broad general principles of insurance programming to help him with his work but that he get the opinion of an expert when a knotty problem of insurance coverage arises, or the job of saying yes or no to a request for a large loan or line of credit.

Strange as it may seem, you do not judge an insurance program by first studying the insurance in force. Your starting point is to determine the insurable hazards which surround the risk. The next step is to evaluate those hazards, placing those which can do the most harm at the top of the list. Now it is time to relate existing insurance to those hazards. If there is no insurance to protect against the most hazardous of those hazards, then you know that you have an inadequate insurance program on your hands.

Fire Insurance Only One Part

At one time in the dim past, the credit executive was chiefly concerned with seeing that fire insurance covered the property of his credit risk. Today things are not that simple. Third party claims should head the listing of the hazards, for the only thing which limits the loss in some of these cases is ability to pay, and sometimes a judgment even exceeds that ability.

I recommend to you a Rough Notes Company publication, "Coverages Applicable to over 600 Specific Risks." I give you four general classifications or groupings of insurance coverages which are named according to what those coverages will do. Here they are—

(1) Property Insurance;
(2) Responsibility Insurance;
(3) Performance Insurance;
(4) Income Insurance, both business and personal.

If you will put these classifications to work for you, you will find that they will be very valuable in stimulating and guiding you in your search for insurable hazards and, in a broad, general way, will help you to evaluate and to recommend a suitable insurance program.

Property Insurance:

Property insurance by its very title tells its story. Under that grouping we find everything from fire insurance to bankers' blanket bonds. The main thing to remember is that real property insurance, unless there is depreciation coverage, does not pay off in terms of replacement. Value in use and value in exchange are ignored. The policy will pay the actual cash value of the property destroyed, which means replacement cost less depreciation. It has to be that way because if we insured replacement cost for everyone, many a piece of old property would be sold to the insurance company in the form of ashes. The result would be a rapidly rising cost of insurance and the average honest person would be priced right out of the market. But the important thing for you to watch is the difference between what insurance would pay and what it would cost for your risk to get back into business. Sometimes this can be an amount large enough to pose quite a problem.

Responsibility Insurance:

The technical description of responsibility insurance is legal liability to third parties. Not only will it take care of statutory and common law liability but it can for a further consideration assume the responsi-

(Continued on following page)

bility for contractual liability. That contractual liability is a tricky thing which may come back to haunt you, for many a business organization has it but more or less forgets about it. However, all kinds of third party liability are an ever-present threat, for more and more people are becoming conditioned to suing on a hair trigger basis.

Performance Insurance:

Performance insurance needs no description except that this type of protection is made up of bonds—contract bonds, fiduciary bonds, license bonds and public official bonds.

Income Insurance:

Insurance protection is offered to industry and the individual which will take the place of earned income. Time element coverages are the kinds which protect the income of a business. That is a nice name, and it sounds important, but it is entirely lacking in descriptive merit. To get down to brass tacks, time element protection includes such old friends as business interruption insurance, earnings, rent and rental value. The individual has a great many items to protect his income, such as workmen's compensation, and accident and health insurance. A number of these coverages were mentioned earlier in our discussion of mass production and mass circulation of money.

Carrier's Ability to Pay

Unfortunately, not all insurance companies are alike. You are interested not only in the kind of insurance contracts which your credit risks have but also in the insurance carrier and its ability to serve and pay.

Insurance is no good if the carrier goes broke and leaves your credit risk with a pending and eventually unpaid claim or loss. Even if there is no claim, the confusion attendant upon the taking over of the company for liquidation by the insurance department of a state might well leave your risk without important protection for a short but critical period.

A small insurance company operating in only a limited area may not be a satisfactory carrier. For example, an insurance policy, in order to be acceptable proof of financial responsibility for the payment of an automobile accident, must be issued by a company which is entered to do business in the state where the accident occurs.

You should be interested in seeing that the insurance carrier will be in existence not only for today but for many years to come. When a minor is a third party claimant, there is always the possibility that the minor, not satisfied with the settlement, will reopen the case on coming of age. Legal proceedings must be followed with meticulous care if the infant is to be estopped from such a procedure. Even if there has been no notification of a claim, the case cannot be considered as closed, for this does not prejudice the rights of the infant. He has the right to file that claim on coming of age.

If you have the same credit risk on your books you naturally want the insurance company to be in existence so that it, not the credit risk, will pay should a new or additional award be made.

In brief, you are vitally interested in the management, financial structure and geographical operations of insurance carriers.

Analyzing Insurable Hazards

Returning to the question of analyzing insurable hazards which surround a credit risk, I give a few actual examples which will illustrate the importance of obscure hazards.

A well-to-do physician was afflicted with a ne'er-do-well son-in-law. His poor business ability and his financial difficulties had been pretty well hidden by the father-in-law, so when the doctor indorsed a note for the young man it was readily accepted at the bank.

No one thought of or asked about a motorboat which was owned by the physician. No perils and indemnity insurance was carried on that boat, so when a swimmer, a young married man, was mangled so severely by the propeller that he died, the doctor was haled into court to answer for his legal liability. The estimated future earnings of the young victim constituted a huge amount of money and were the important factor in determining the size of the judgment lodged against the doctor. It took all his resources to pay just a portion of that judgment. Worst of all, the whole unfortunate case was too much for the mental balance of the doctor, and he became incurably insane. Later, the son-in-law failed in his business venture, and when the note became due it could not be paid. Thus a motor boat completely changed a credit picture.

The Distant Factory

In another case, a factory a thousand miles away from the credit risk was central factor. Ownership of two factories was completely different, yet the burning of one was the dominant factor in the bankruptcy of the other.

How could this happen? The answer is very simple. The burned factory was manufacturing parts vitally necessary to the assembly job done by the factory which was the credit risk. No parts, no work—and the shutdown was of such a long duration that the factory never reopened. Just another example of an obscure hazard, one which the credit man would have to discover for himself.

The protection for the credit executive's company would have been contingent business interruption insurance, covering the burned factory but carried by your credit risk.

Ignoring Penalties Disastrous

Such a simple thing as the ignoring or misunderstanding of the penalties under a coinsurance clause can cause trouble and headaches for the credit manager. Many a policyholder likes to get the reduced rate offered by a coinsurance clause but fails for one reason or another to comply with his own obligations. When a partial loss occurs, the policyholder, unless

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Mr. Helm is chairman of the advisory advertising committee of the Marine Office of America and the American Foreign Insurance Association; past president, Insurance Advertising Conference; past member, speakers committee of the National Association of Manufacturers, past member, public information committee of the President's Highway Safety Conference.

he carries the amount of insurance called for in consideration of the rate reduction, will find that he is a co-insuror and may be called upon to assume a crippling loss. So the co-insurance clause is something for the credit man to watch carefully.

Finally, I repeat that it is impossible for the credit executive to become an insurance expert and still have time to do his own job well. Therefore, consult a competent and experienced insurance agent when up against a tough insurance problem. No one can successfully take his place.

Insurance Readies for Atomic Age Coverage

(Continued from page 13)

petent engineers were employed to survey insured plants and recommend safety measures to prevent accidents. It wasn't long before plants that refused to obey the rules and had bad safety records found it difficult, sometimes even impossible, to get insurance. Government, labor organizations and most employers fully supported the insurance companies in their determination to enforce safety rules as a both humanitarian and economic necessity. It worked—and it continues to work. Rarely, for instance, does one hear or read about a boiler explosion, yet far more steam boilers than motor vehicles are operating in America.

Insurance Engineers Busy

The insurance companies voluntarily maintain staffs of the best engineering brains in the country, constantly busy inspecting all types of insured plants; making sure that safety standards are maintained, that spinning wheels have proper guards, that razor sharp mechanical knives and plungers have devices to keep workers from putting their hands on the cutting surfaces, insisting that employees working at grinders, saws or welding machines wear goggles.

The primary purpose of this accident program is to help to hold down the cost of insurance—to make it possible for those with small payrolls and small incomes to have insurance protection as well as those with big ones. To be sure, it has the corollary benefit of saving lives and preventing many maiming injuries, and employers long ago learned it also saves them from reduced profits, sometimes even deficits. But our driving purpose is to bring *price* within the reach of more and more.

The result? We certainly haven't reached perfection yet, but if the same progress had been made with motor vehicle accidents, for instance, the 48 states would have a much less serious and noisy traffic problem. Furthermore, statistics show that American working men and women are the safest people in the country while they are at their jobs. They are safer than at home, safer than in public places, and most certainly safer than in traffic, whether walking or riding.

Let us not cheer about having had "only" 11,200 industrial accident fatalities in 1954; we can and should do much better. Nevertheless, industrial fatalities were less than one-third of the dead in motor vehicle accidents, less than half the number killed in home accidents, and even less than the number killed in other than motor vehicle accidents in public places. We do have reason to cheer about the very great *progress* achieved in making American factories, plants, mills and offices safe places in which to work.

On-the-Job Accidents Decline

Over the past few decades, which takes us back to about the time the insurance companies and industries got industrial accident prevention programs operating in high gear, there has been a steady decline in both the *frequency* and *severity* of *all* on-the-job accidents, fatal and non-fatal. In 1926, the industrial accident frequency rate was 31.87 disabling injuries per 1,000,000 man hours worked and the severity rate was 2.50 days lost per 1,000 man-hours worked. I do not have the fatality rate for that year. In 1937, however, the frequency rate was down to 14.05, the severity rate to 1.58, but the fatality rate was up to 43, due to an inordinate number of motor vehicle fatalities that occurred in the course of work. By 1954, the frequency rate had plummeted to 7.22, the severity rate to 0.80, and the fatality rate to 25.

Isn't it tragic that traffic accidents have been rising even more rapidly than industrial fatalities have been falling? The insurance companies, you may be sure, are doing everything they can to reduce traffic acci-

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dents, but their efforts necessarily must be limited to persuasion and education.

Our member companies, both through the Association of Casualty and Surety Companies and individually, are spending many millions of dollars and far more man-hours of effort to convince owners and drivers of motor vehicles that the toll of recklessness among them is a tragic waste of lives, crippled bodies and dollars. But government alone—the legislatures, licensing authorities, police and courts—can apply the only pressure that seems capable of bringing results. We know *how* to reduce traffic accidents by *at least 50 per cent* within a matter of months, but getting the job done must rest with government everywhere.

This brings us back to the point from which we started, the new and promising atomic age, in which, as in those former epochs, insurance again is rapidly preparing to "spread the risk," so that business and industry, finance and the professions may go forward to the building of a better world, confident in the knowledge that they have an assured cushion against ruinous loss. That confidence is not misplaced.

Almost with the momentous announcement in 1945 that the world's first atomic bomb had been exploded over Hiroshima, engineers, scientists and underwriters assembled in the offices of the Association of Casualty and Surety Companies in New York. They gathered to begin the first discussions about safeguards to protect public, industry and business against the hazards that inevitably would accompany the new era, when atoms for war would be translated into atoms for peace and plenty. In other words, insurance went out to meet this new giant, to study its dangers as man's most powerful servant, and create means of prevention *before* those inherent dangers could become human and financial tragedies.

Great Progress in Control

I do not assert that all hazards incident to the harnessing of atomic power for the uses of industry, commerce and business have been tamed; I honestly do not know. I am confident, however, that great progress has been made, and I venture to predict that it will not be long before the common use of nuclear energy becomes as easy to control as its mighty predecessor, steam.

The insurance companies are not alone responsible for the progress made. Far from it. They and their research specialists were not even the first to begin such studies. Because the development of nuclear energy into a weapon of warfare was perhaps the best-kept secret in the history of the world, great progress toward control had been made by both science and government before we even came into the picture. In addition, our studies were directed toward minimizing or removing, if possible, its hazards for industrial and commercial uses.

"Great progress has been made in taming the hazards incident to harnessing atomic power for the uses of industry, commerce and business. It will not be long before the common use of nuclear energy becomes as easy to control as its mighty predecessor, steam."

—J. Dewey Dorsett

Necessarily and understandably, the subject of nuclear energy is still surrounded by considerable secrecy. However, a special committee of insurance specialists spent more than a year in an intensive study, including close consultation with the Atomic Energy Commission in Washington, before the recent announcement that a substantial group of casualty insurance companies had formulated a plan to insure industrial uses of nuclear energy.

What does all of this add up to in terms of *your* interest, security and prosperity?

Aside from personal insurance carried either as an individual, the head of a family or for business reasons, all business and industry has had a silent partner that from the first beginning in Boston, in 1724, has faithfully carried out a foremost part in the building of an economy which has brought us security and prosperity such as the world never before knew.

The partner, called insurance, never has lagged behind progress but has marched *with* it, providing the protection that has permitted incentive and ambition to reach out unceasingly into newer and broader fields, which in turn have created jobs, confidence, growth and ever increasing wealth and security for all. Both the young couple building a home and the corporation building a multi-million dollar skyscraper depend upon insurance for the indispensable credit they need.

This same partner has kept abreast of the public's needs. Casualty insurance alone provides more than 700 different kinds and classifications of protection, covering virtually every known peril and hazard in its constantly expanding field, from family income, bank security, workmen's compensation, and on through the long list to the purity of the very food you eat. And I have not even attempted to mention the additional forms of protection that are available in the fire, inland marine and life insurance fields.

Underwriting Profits 3 to 5 Per Cent

Above all, the insurance companies are forever seeking to provide this protection and service at the lowest possible price. Contrary to common belief, the overall underwriting profits of casualty insurance companies average from only 3 to 5 per cent, and in some recent years they showed a profit of barely 1 per cent. It is as unrealistic to assume that insurance companies profit most when premium rates are high, as it is to suppose that because those magnificent advertisements in *The Saturday Evening Post* or *Life* cost $20,000 each—or more—they add dollars to the price of the product they describe. They add pennies, or fractions of pennies, because the price is spread over millions of sales. So it is with insurance. To spread the risk among the greatest number, we must sell at the lowest prices sound underwriting will permit.

Such are the qualities of which our free enterprise system is made, and through it we gain and keep freedom itself. Without freedom, there is no initiative; without initiative, there is no progress; without progress, there is no prosperity; and without all three, enterprise withers on the vine. But there is yet another element upon which enterprise depends. It is protection. And protection is just another way of saying insurance.

Character in Business Exemplified In Cooperation of New Customer

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advised in one of our former letters. If you have a more complete list of your suppliers at this time, we would appreciate these additions for our credit file.

We note that all of your orders have been marked by our production department as rush delivery schedule, and we feel sure they will oblige you with our best possible shipping date.

Thanking you for this additional business, we are . . .

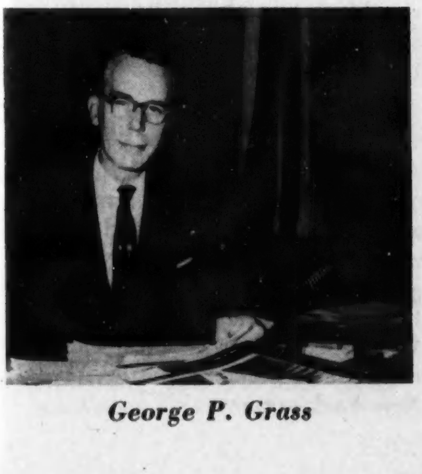
In two years this account has developed an annual sales volume high in five figure amounts. The product is now on a national distribution basis and the partners have found it necessary to move manufacturing quarters to a larger city for better supplier facilities and marketing areas. They doubled their original investment, as reflected in their present net worth, and have earned a safe credit rating in the high five figure bracket. Our total sales to them in the two-year period are in low five figures, with two more orders in process and a quotation on additional quantities in file.

Faith, Facts, Figures

We mentioned a "process of standards established by the founders of our company." This process still operates and brings results. The management attitude has been instilled in each new addition to our staff and constantly is reiterated when a new account is under discussion. Sales is as creditminded as credit is salesminded. The "process of standards" is—Faith, Facts and Figures. We are encouraged to have faith in an account as a good addition to our clientele; we are required to get the facts on what the customer needs and how best we can serve him; we must substantiate our facts by proven figures to provide quality price for quality products.

Carrying this formula over to credit, we find a blend with the three "C's"—character, capacity and capital. In our "credit process of standards," faith in character is placed first, as without it we cannot rely on the remaining facts and figures. The facts we established reveal the potential capacity of the customer's productional facilities, and the figures substantiate the proven capital commensurate with the customer's purchasing power and ability to pay.

Coincidentally, our company, too, was established 21 years ago by two young businessmen under circumstances similar to those that confronted "Frank & Earnest Company."



George P. Grass

After years with the floor covering department of a Chicago wholesaler and with Bigelow-Sanford Carpet Company as assistant manager of inventory control, George P. Grass in 1943 became credit and office manager of American Name Plate & Mfg. Co., Chicago, and now is also treasurer. He studied accounting in the LaSalle Extension School and advanced accounting at DePaul University.

Mr. Grass is chairman of the Industrial Supplies and Machinery Group of the Chicago Association of Credit Men.

Plant Outlay Increase at $2 Billions Annual Rate

An Increase by an annual rate of $2 billions in the third quarter business spending for new plant and equipment is indicated by a new government survey quoted by Sinclair Weeks, secretary of commerce, in confirmation of expectations voiced in March for 1956 outlay—a record year for investment expenditures.

New Yardstick Devised to Measure Exposures to Employee Dishonesty

(Concluded from page 17)

survey was that no less than 65 per cent of the losses sustained by companies of all sizes had been underinsured. Worse still, 85% of the losses of smaller firms (those with assets of less than $100,000), were underinsured.

In the losses under study, firms carrying what they had considered as adequate employee dishonesty insurance had self-insured the hazard to the extent of $1,888,500.

The committee reasoned that three factors must be involved in any valid formula: (1) current assets, (2) goods on hand (a current asset but considered separately), and (3) the activity of the firm's business. Current assets such as cash on hand, bank deposits, accounts receivable, notes receivable and securities continuously present essentially similar hazards. Goods on hand also present a substantial hazard, one that varies with the function of the insured—manufacturer, wholesaler or retailer. However, these variations when analyzed were found not significant in the consideration of large losses, and so somewhat less emphasis was justified on this hazard than was necessary for the more easily negotiable type of asset. The most valid way to measure a firm's activity and to judge the flow of current assets as an element of risk was to use sales or gross income.

Differing Percentages Applied

To each of these factors were applied differing percentages which in the interest of simplicity remain constant regardless of the type of business. These percentages, when applied to any firm's current assets, goods on hand and gross sales or income, produce an exposure index which is translated, by means of a table, into the amount of blanket coverage that firm would need as a reasonable *minimum* amount of employee dishonesty insurance.

Appended are the first six (of 31) groups of the Exposure Index, and their suggested minimum amounts.

Exposure Index	Bracket No.	Amount of Bond
1,000 — 25,000	1	15,000 — 25,000
25,000 — 125,000	2	25,000 — 50,000
125,000 — 250,000	3	50,000 — 75,000
250,000 — 500,000	4	75,000 — 100,000
500,000 — 750,000	5	100,000 — 125,000
750,000 — 1,000,000	6	125,000 — 150,000

Checks and tests revealed this fact: had this formula and the suggested table of reasonable minimum amounts been applicable to the losses which were the basis of the study, the underinsurance sustained by those firms would have been reduced from $1,888,500 to approximately $200,000.

Jumbo Losses Not Fully Covered

It must be borne in mind that this formula does not produce guaranteed adequate amounts of coverage. It was adopted as the best solution to a real problem, in full awareness that even after it had been employed to fix the amount of coverage, jumbo losses would occur that would not be fully covered. The committee properly concluded that the unusual could not be permitted to distort the solution of the usual.

It cannot be over-emphasized that the suggested minimum amounts are merely basic guides for general application. It is necessary for the management of each firm, perhaps in consultation with its insurance advisors and professional accountant, to consider how much additional coverage should be carried to safeguard against the firm's own special exposure to catastrophic loss.

The formula for any size or type of commercial company operates in the following manner:-

I. Enter the firm's total Current Assets (cash, deposits, securities, receivables, goods on hand, etc.) .... $........

A. Enter the value of Goods on Hand (raw materials, materials in process, finished merchandise or products) .... $........

B. Enter 5% of A .... $........

C. Enter Current Assets less Goods on Hand, i.e., the difference between I and I-A .... $........

D. Enter 20% of C .... $........

II. Enter Annual Gross Sales or Income .... $........

III. Enter 10% of II .... $........

This Total is the Firm's Dishonesty Exposure Index .... $........

NATIVE New Yorker, G. E. Summerhayes attended local schools and received his secondary education in England.

For more than 35 years he has been a fidelity underwriter with the Fidelity and Casualty Company of New York, most of the time in a senior capacity. For over 25 years he has represented his company on the advisory fidelity bond committee of The Surety Association of America. He has served on many subcommittees of that association.

Greater Protection Assured

With this tested yardstick available to measure any firm's employee dishonesty hazard, employers and their insurance consultants have the means of reviewing with reasoned guidance the amounts of coverage heretofore considered adequate. Even if no further coverage for possible catastrophic loss is added and merely the minimum suggestions that the formula produces are followed, insureds will have a far greater degree of protection against and reimbursement for this rapidly growing cause of financial impairment.

It is perhaps inevitable that some intangible and unpredictable factors that disturb credit risks will always exist to plague extenders of credit. But credit executives will surely have one important worry less and that much more peace of mind, if they determine that the seeker of credit carries blanket employee dishonesty insurance in an amount responding to this formula.

Ad Techniques for Surplus Sale

ADOPTION of a large scale program of use of the split-second advertising and marketing techniques that have made the United States the world's greatest merchandiser, to sell the farm surplus, is advocated by John S. Williams, senior vice president and director of Cunningham & Walsh, New York agency.

Guides to Improved Executive Operation

KEEPING INFORMED

HOW MUCH HONESTY INSURANCE? A new booklet revealing startling facts regarding lack of fidelity bonds. Offers a practical formula for estimating minimum amounts of coverage, based primarily on two principal elements of dishonesty exposure: total current assets and annual gross sales or income. Single copy, free, from Educational Department, Surety Association of America, 60 John Street, New York 38, N. Y.

A FIRE RISK DETECTOR chart, developed by Mosler Safe Company, presents 12 questions for the businessman to check "Yes" or "No," for a two- to five-minute appraisal of the degree of protection his company's records are receiving. Free. Mosler Safe Company, 320 Fifth Ave., New York 1, N. Y.

A GUIDE TO PROPERTY AND CASUALTY INSURANCE ON CHURCHES—Here are factual suggestions, in a 32-page booklet, to help lay trustees as well as the clergy to provide adequate insurance protection for churches, their property and employees. A release of the Association of Casualty and Surety Companies and the National Board of Fire Underwriters. For a free single copy address Public Relations, National Board of Fire Underwriters, 85 John St., New York 38, N. Y.

HOW TO START A PHOTOGRAPHIC SERVICE DEPARTMENT and how to operate it efficiently—A new data book issued by Eastman Kodak Company for the executive wanting to know more about the advantages of such a unit within his organization. Equipment, personnel, space requirements, amortization are some of the topics considered. Other services of the department, such as photocopying, pictorial library, negative filing and house organ photography, are described. Obtainable at any Kodak industrial dealer. 50 cents a copy.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

539—"Technology of the Diazotype Processes" discusses blueprint production, from paper to Diazoplastics, in a booklet of the Tecnifax Corporation.

▼

540—"How Flexowriters Integrate Data Processing," provide systems' flexibility and eliminate repetitive routine, is told in a new folder of Commercial Controls Corporation. For copy, write us.

▼

541—New ideas in automatic paperwork processing are given in the Addressograph-Multigraph Corporation literature "Multigraph Methods for Order Invoice Writing."

▼

542—New low-cost computer, the READIX, for businesses that do not warrant large units, is described in a 12-page pamphlet issued by the manufacturer, J. B. Rea Company, Inc.

▼

543—Art Metal Construction Company's new line of club chairs and tables for office reception areas is illustrated in a four-color brochure. Write us for copy.

▼

544—"How to Save Executive Time," 6-page illustrated brochure of Remington Rand explains how a properly organized subject file enables the executive's secretary to obtain a required record in under 1 minute. (BSD—46).

▼

545—A portfolio of translucent sample sheets for testing on your direct-copy reproduction machine is offered by The Sorg Paper Company. Request on your business letterhead.

▼

546—"44 Ways to Protect Your Bank Account" is a manual on office disbursement methods now being offered by The Todd Company. Free.

BOOK REVIEWS

FIRE AND PROPERTY INSURANCE—By William H. Rodda. $6.95. Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.

• Writing without involvement in technical jargon, the author proves his knowledge of insurance and makes it easily intelligible and interesting for the layman as well as the person just entering the insurance business. Emphasis is placed upon function rather than proceeding along traditional lines, upon separating insurance according to property loss coverages and liability coverages, in accordance with present-day trend. Hundreds of questions are answered in this 563-page book. Highly recommended.

CREDIT MANAGEMENT YEAR BOOK 1956-1957. Volume 23. 402 pages. Credit Management Division, National Retail Dry Goods Association, 100 West 31st St., New York 1, N. Y.

• Experience reports provide cues to better utilization of credit and development of plans fitted to customers' needs in solution of the double-barreled problem of retail merchants, (a) how to keep the standard of living rising, and (2) to "recapture and increase their share of the consumer dollar," says A. Leonidas Trotta, division manager and research director, in the preface. The 55 chapter features include a complete section on the latest technique of credit sales promotion.

THE INSURANCE ALMANAC—44th Annual Edition. 1100 pages. $5.00. The Weekly Underwriter, 116 John Street, New York 38, N. Y.

• A consolidation of data on insurance companies, organizations, brokers, agents, adjusters, actuaries, commissioners, etc., with names of officers and directors; ten-year financial record; lines they write; their territories, etc. All the insurance facts you need!

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

Legal Rulings and Opinions

BY CARL B. EVERBERG
Head of Department of Law
College of Business Administration
Boston University

The Influence of Errors

Perhaps no area of business activities is plagued so much with human slips and lapses of the mind as that of insurance. It is understandable where the mass of words which must be juggled into binding obligations every day is unbelievably enormous. Many decisions evidence this proneness to typographical and other kind of error. Some are quite recent.

There is the case, reported just a short while ago, in which a life insurance company issued a policy providing for benefits of $12,000 in case of accidental death. The amount of insurance was meant to be $1,200 but the extra cipher crept into the policy solely by error. The insured had died, his beneficiary claimed the $12,000, and insisted that the insurance company had no right to contest the policy by virtue of the incontestable clause in the policy. It was held, however, that the insurance company had a right to have the policy reformed in view of a mistake and a coverage which was clearly not intended between the parties. *Freestone v. Prudential Ins. Co. of America, (U. S. District Court, Iowa) 139 F. Supp. 665.*

Companies Held to Some Errors

Insurance companies are held to some types of error, however. It behooves insured parties, therefore, to be careful about giving answers to questions which form the representations and declarations upon which the insurance company relies in issuing the policy.

There is the case in Massachusetts (Paloeian v. Day, 299 Mass. 586) in which the company took steps to cancel an automobile casualty policy on the ground of default in the payment of premium, and yet was held liable because the cashier's office of the insurance company, in ignorance of the fact that the underwriting department had sent notice of cancellation, both to the insured and the registrar of motor vehicles, accepted the delinquent premium.

The court reasoned that the insured would certainly not have paid the premium if he had found later that he had no policy. It was the insurance company's duty to speak out at the time the premium was being tendered. The court realized that the cashier's office did not have the power or authority to reinstate a cancelled policy but it did have the authority to receive the premium, and therefore the company had to take the consequences though the cashier's office knew nothing of the cancellation. This case was decided on the principle of estoppel—the insurance company was estopped to deny there was a valid policy in force. This case, not too recent, is mentioned here in contrast with a much more recent case, *Grantham v. State Farm Mutual Auto Ins. Co., 126 Cal. App. 2nd Supp. 855.*

Mistake Forces Litigation

In the Grantham case the insured had permitted an automobile policy to expire without renewing (which needed the payment of the premium to renew the policy). Now came the mistake which embarrassed the company and forced it to litigate the case through the courts. The insurance company sent a receipt for the premium (which it never got) to the insured. To complicate things further, a statute in California provides that an acknowledgment of a premium is conclusive evidence of the payment of it, so as to make a policy binding.

The court held the insurance company not liable in a suit against it as a result of an accident claim arising after the expiration of the policy. The court said the insurance had lapsed, that there could not be any insurance operative without payment of the premium. It added that the insured had a duty to discover the truth after receiving the receipt.

If there is any difficulty reconciling the latter (Grantham) case with the previous (Paloeian) case, it should be remembered that money was accepted by the company in the Paloeian case while no premium was paid in the Grantham case. A receipt can always be explained, and it is open to introduce evidence to show that even where a receipt was issued there was actually no money paid.

Industry's Crime Loss Exceeds Million a Year

American industry's loss from crime now totals more than $1 billion a year. Employees yearly steal more than five times as much as professional burglars. Forgery, fastest-growing, most common crime in the nation, has a $300 million annual "take." Yet only 5 per cent of this loss is insured, according to S. Bruce Black, president, Liberty Mutual Insurance Company, who points out that, contrary to popular impression, industry's loss to crime exceeds its loss from fire by a quarter of a billion dollars each year.

To meet the needs of all types of manufacturers in what the insurance official has described as a "serious and urgent situation," a new insurance policy, known as "the manufacturer's crime policy," has been introduced by Liberty Mutual Insurance Company. The policy is devised as a complete package to cover these general classifications: dishonesty of employees, loss of money and securities within premises and also loss outside premises, money orders and counterfeit paper currency, and forgery of issued instruments.

"Merchandise theft has become increasingly troublesome because of the vast number of stealable and salable products that have come on the market since the war, and because merchandise control systems within a plant are difficult to establish, as compared with cash and securities controls.

"Seventy-five per cent of annual inventory losses in retail establishments derive from employee thefts, while in industry 95 per cent of inventory losses are attributable to this cause.

"About 7 per cent of business concerns experiencing their first loss without fidelity insurance are forced to close their doors," Mr. Black said.

sion, upset or overturning of a transporting conveyance.

Q. There must be exclusions of certain perils. What are the significant ones?

A. When a loss occurs, any condition of a policy that takes away coverage is significant. However, certain risks are veritably uninsurable and the Mercantile Block form does contain a list of excluded perils, for example:

Flood losses are excluded (other than in transit).

Earthquake losses are similarly excluded.

Any unexplained loss or mysterious disappearance (unless in the custody of carriers or bailees for hire) is not covered, nor is a loss or shortage disclosed on taking inventory.

Also not covered:

Change in flavor, odor, color, texture or finish, evaporation, shrinkage or loss of weight, dampness or dryness of atmosphere, freezing, extremes or changes in temperature, corrosion, contamination and marring or scratching unless such losses are caused by certain listed perils which include fire, burglary, vandalism and malicious mischief, windstorm and hail.

Infidelity on the part of an employee involving insured property (a bond is needed for this type of protection).

Losses attributed to delay or loss of market or use would not be covered (keep in mind this policy provides direct loss coverage but not coverage of a consequential nature).

War ricks.

Deductible Clause

Q. It would seem on the surface that the companies would have to charge a prohibitive premium in order to pay all losses, large and small. Is there any deductible clause?

A. Several of the important basic rating factors that are part of the mercantile block rating formula are statistically established and should enable the companies to pay the catastrophe type of losses that are inevitable, and still enjoy a reasonable profit. However, the form does contain a $50.00 deductible clause that will eliminate many small losses unless they are caused by fire, lightning, aircraft, explosion, riot, civil commotion, smoke, vehicles, windstorm or hail, vandalism and malicious mischief, burglary or holdup, loss of or to property in transit in custody of carriers or bailees for hire, collision, upset or overturning of a conveyance transporting insured property. In other words, if the loss is covered by any one of the perils listed or circumstances as outlined above, it will be paid in full subject to policy conditions.

Q. Are any additional coverages provided?

A. Yes, the basic policy form includes:

Debris removal. This would cover expenses incurred in the removal of all debris of the insured property occasioned by a loss insured against in the policy.

Damage by thieves. This would cover the loss (except by fire or explosion) to the part of the building occupied by the assured and containing insured property.

General average and salvage charges. This would cover such charges for which the insured may become liable on shipments insured under the policy.

F.O.B. shipments. This would cover the contingent interest of the assured in such shipments if the amount recoverable under this F.O.B. extension is not collectible from the purchaser, or any other insurance that would have provided insurance coverage if the mercantile block policy had not been issued.

Q. Is it permissible to carry other insurance insuring the property insured under the mercantile block policy?

A. No other insurance is permitted except under (1) a boiler and machinery policy, (2) an elevator policy, (3) a comprehensive glass policy, (4) an ocean cargo policy.

Q. If a mercantile block policy is written, must existing fire and extended coverage insurance be cancelled?

A. No. Provision is made for granting pro-rata credit for the unearned premium on such existing insurance. This is done by an indorsement to the mercantile block policy.

Q. Will the "published" fire insurance contents rate have a bearing on the mercantile block premium?

A. Yes, it will have a decided bearing, so consequently a low fire rate will favorably affect the mercantile block premium.

Q. Are any premium credits provided for if premises are protected by a burglar alarm system or watchman service?

A. Yes. These credits will vary depending on the extent of such protection.

Q. Do insurance companies freely write theft insurance and water damage insurance?

A. No. Generally speaking, theft insurance is practically unavailable for retail risks, and most companies write little or no specific water damage insurance. If available, both types of coverage are considered relatively expensive. Subject to policy conditions, both types of coverage are part of the mercantile block "package."

Mercantile Block Policy Cost

Q. Speaking of expense, is the mercantile block policy considered expensive?

A. To the assured with a good foundation of individual policies, no, but to the improperly or inadequately protected assured probably yes. Each risk has to be analyzed carefully.

Q. Must one insurance company write the entire mercantile block policy and must there be only one agent?

A. While a company may prefer to write the entire line, the policy is designed for percentage participation by several companies. Similarly, several agents may participate.

Q. Is it difficult to arrange for mercantile block insurance protection?

A. No, the vast majority of agents

JOHN J. HULIGHAN, marine superintendent, The American Insurance Company, Newark, was educated in the schools of East Orange, N.J. He joined The American in 1928, starting his insurance career as a map clerk. From assistant examiner and examiner, he advanced to marine special agent in 1949 in the New Jersey field, and in 1954 was named marine superintendent. His territory includes a number of eastern states.

will be conversant with it. A signed application is required in order to develop the information upon which the account will be rated and the policy written.

Q. Is it possible for a tentative premium indication to be given?

A. Yes, with very little effort a tentative premium indication can be made.

Consult Full Language

Of necessity in these remarks, and especially in the questions and answers, all policy language could not be fully recounted. The pertinent data are referred to but in the final analysis the full language of the policy contract must be consulted.

It is difficult to write about anything as new as mercantile block without becoming a bit involved at times. However, a decided effort has been made to be clear and factual. If these remarks arouse curiosity to the point where anyone reading this article becomes directly interested in mercantile block coverage, all well and good, and if a retailer, wholesaler or distributor is prompted to discuss mercantile block coverage with his or their agent or broker, so much the better.

Like anything new, the mercantile block policy will have its development pains, but it is here to stay and should be considered right now. Someday the mercantile block "package" type of protection will be as universally known and accepted as have been the individual lines of insurance. This represents a decidedly forward step in the development of the insurance industry and unquestionably will be followed by even more interesting and significant innovations.

SUPERMARKET COVERAGE

BEGUN ON PAGE 21

posures, the study of the normal or expected loss potential from previous experience should be made. When a high degree of readily saleable merchandise and money are combined with a high employment turnover and a high degree of customer concentration in markets, we have a normal or expected loss potential. In supermarket operation, you can expect some losses from these exposures. Some can be prevented and others can be detected. You will always have an expected ratio of losses that you cannot hope to prevent.

Here some consideration should be given to the limited coverage approach. If supermarkets insure all losses from the first dollar, the premiums will reflect the amount of expected losses, the peril premium for catastrophe or non-expected losses, the expense of loss handling by the insurance carrier and a reasonable overhead and profit to the insurance carrier.

By the recommended limited form of approach, two factors can be eliminated: the amount of expected losses and, secondly, some expense of loss handling if coverage is confined to the non-expected losses only. The factor of overhead and profit to the insurance company will also be computed on a reduced basis. The result is a savings in cost without relaxation of protection of assets, provided the proper line of demarcation is drawn between the expected and the non-expected losses.

The second key in the control of dishonesty insurance costs is the matter of crime prevention. Handbooks are available on how to control such losses and supermarkets should consider various steps to be taken to reduce the amount of normal and expected losses.

Perhaps the most important insurance problem for supermarkets is the mounting cost of casualty insurance. This includes workmen's compensation, general liability and property damage, and automobile liability and property damage.

Some of the exposures that may have been overlooked by supermarkets are products liability, contractual liability, and contingent liability insurance.

Where comprehensive liability insurance has not been purchased, consideration should be given to this broad and more automatic form of protection to include coverage on an occurrence basis, as well as amending the term "bodily injury" to cover personal injury. Personal injury includes coverage for libel, slander, defamation of character, humiliation of character, and false arrest. Incidentally, the usual false arrest clause covers members of the public. It does not cover false arrest of an employee of a supermarket who may have been suspected. If coverage of false arrest of an employee is desired, there is a further extension of the false arrest feature of the comprehensive contract that is required. Careful attention should be given to the policy exclusions of the comprehensive contract to ascertain whether any exposure has been excluded from the protection that is essential.

With only a limited number of exclusions and high limits of coverage, the supermarket would be protected in the event of a catastrophe loss so that the assets of the operation would not be jeopardized.

Retrospective Method

The retrospective method of writing casualty insurance should be taken into consideration for substantial supermarket operations. It is generally preferable to self-insurance if all overhead costs of a self-insurance program are taken into consideration. Investigation should be made of the possibility of combining workmen's compensation and all liability coverages under a retrospective program. To prevent catastrophe losses from entering into the retrospective premium computation, a limitation of loss in the retrospective program should be incorporated. There is a nominal charge for stopping liability losses at a limit of $10,000 per accident and $25,000 under the workmen's compensation.

Whether retrospective is selected or not as the method of insuring these exposures, the casualty insurance premium is going to be predicated to a large degree on the losses. The control of accidents is then of utmost importance, that is, accidents to employees and members of the public and damage to property of others. Every effort should be made to prevent such accidents before they occur.

Emphasize Safety

Written programs of operating procedure should emphasize safety, such as floor care, lift truck operations, stacking, etc. Operating executives of supermarkets should take a definite interest in the safety program to make it effective. Safety committees should include important company executives. Store managers should report causes of accidents.

This is one of the most important pieces of information that can be secured from an accident report. These causes should be catalogued. Probably the most common causes of supermarket accidents are slips and

(Concluded on page 38)

Fifty Take Home Coveted Executive Award From NACM Graduate School at Dartmouth

Fifty executives, on completion of the advanced management course of the NACM Graduate School of Credit and Financial Management conducted at Dartmouth College, Hanover, N. H., have received the Executive Award of the Credit Research Foundation, National Association of Credit Men.

Special Award winners in the graduating class were:

FRANK C. BONURA, The First National Bank of Boston, New York, who received the Paul G. Hoffman Award for Achievement;

PAUL J. HANNA, The Hanover Bank, New York, who won the Alumni Award for Leadership, and

JOHN H. BARNES, Recordak Corporation, New York, who received the American Petroleum Credit Association Award for the outstanding management study report.

Dr. John A. Krout, vice president and provost, Columbia University, New York, was commencement speaker. His topic was "The Power of Our Heritage." Dr. Arthur R. Upgren, dean of the Amos Tuck School, Dartmouth College, and member of the NACM graduate school faculty, presented the candidates. William J. Dickson, director of education for the NACM and managing director of the Credit Research Foundation, awarded the certificates.

The graduates, all seasoned executives training for added management responsibility, came from 18 states and Canada. Their company titles ranged from creditman to vice president, and they represent more than 20 industries, and banking.

The 1957 sessions of the NACM Graduate Schools, both in the East and on the West Coast, will be held as follows:

Stanford University, Palo Alto, Calif., July 7-20.

Dartmouth College, at Hanover, N. H., August 4-17.

Applications for the 1957 sessions now are being received at the school office, NACM headquarters, New York.

Customers' Just Des(s)erts

With restaurant purchases of colored lead pencils booming, according to this pencil manufacturer, the reason should be worth knowing. It is. It seems that some customers have been altering food checks during busy meal hours. Graphite pencil figures were easily erased and new ones substituted with the customer's own pencil. Eagle Pencil Company, of New York, says its release, solved the problem with its permanent coloring pencils.

The customer may console himself with the thought that the change should be good for his figure, if not for his wallet.

Those graduated at Dartmouth:

WILBUR J. BABIN, credit manager, Geo. H. Lehleitner & Co., Inc., New Orleans; JOHN H. BARNES, management staff, Recordak Corp., New York; JOHN F. BERTELSEN, region credit manager, Linde Air Products Co., Long Island City; LAWRENCE H. BOBER, assistant treasurer, Hanover Bank, New York; FRANK C. BONURA, senior credit analyst, First National Bank of Boston, New York; A. C. BOWEN, manager of administrative services, Walter Baker Div., General Foods Corp., Dorchester, Mass.; CLARENCE W. BROWN, assistant credit manager, Scott Paper Co., Chester, Pa.; RALPH A. BURNHAM, vice president, Union Market National Bank, Watertown, Mass.;

LEO CHESTMAN, controller, Blum Folding Paper Box Co., Inc., Valley Stream, New York; ERNEST T. CLEIS, JR., assistant manager, credit dept., Allegheny Ludlum Steel Corp., Pittsburgh; HOLLISTER B. COX, assistant vice president, First National City Bank of New York; ESMOND E. FOGLE, credit manager, Robertson Heating Supply Co., Alliance, Ohio; ELMER GRAHAM, The Ohio Oil Co., Findlay, Ohio; PAUL J. HANNA, vice president, Hanover Bank, New York; LOUIS E. HAPKE, controller, The Hays Corp., Michigan City, Ind.; WARDEN N. HARTMAN, JR., assistant treasurer and general credit manager, Armstrong Cork Co., Lancaster, Pa.;

PATRICK K. HEALEY, loan supervision dept., Bank of America NT & SA, San Francisco; JOHN W. HOWELL, general credit manager, The Timken Roller Bearing Co., Canton, Ohio; PAUL JANSAK, creditman, J. P. Stevens & Co., Inc., New York; WILLIAM C. JEHLEN, credit correspondent, First National City Bank of New York; VICTOR J. KLANCER, district credit manager, U. S. Steel Products, Div. U. S. Steel Corp., Chicago; CHARLES H. KRAFT, regional credit manager, U. S. Steel Supply, Div. U. S. Steel Corp., Chicago;

W. M. LAHNA, assistant treasurer, Ohio Rubber Co., Willoughby, Ohio; EDWARD J. LEHAN, vice president, First National Bank of Manchester (Conn.); HAROLD C. MALLETT, collection and assistant office manager, Federal Glass Co., Columbus; WILSON H. MAY, credit manager, Stern & Co., Inc., Hartford; JOHN N. McEACHRAN, assistant credit manager, Imperial Tobacco Co. of Canada Ltd., Montreal; CHARLES J. McGUIRE, credit correspondent, First National City Bank of New York; EDWARD G. MELLON, credit manager, National Tube Div., U. S. Steel Corp., Pittsburgh;

CARLTON R. NEWELL, assistant credit manager, Sundial Shoe Co., Div., International Shoe Co., Manchester, N. H.; CARL J. NORTON, credit manager, John Deere Plow Co. of Baltimore, Inc.; WILLIAM L. ORR, division credit manager, Gulf Oil Corp., Houston; GEORGE E. PHALEN, JR., loan officer, First National Bank of Boston, Boston; EVERETT D. ROPER, credit manager, William Carter Co., Needham Heights, Mass.; KARL SCHMIDT, credit manager and assistant treasurer, Klenzade Products, Inc., Beloit, Wis.; John J. SINDER, secretary, Electro Motive Mfg. Co., Inc., Willimantic, Conn., W. HERBERT SMITHER, assistant treasurer, Atlas Supply Co., Winston-Salem, N. C.;

GARRISON A. SOUTHARD, district credit manager, Ohio Oil Co., Findlay; ROBERT W. SPRENGER, assistant credit manager, Johnson & Johnson, New Brunswick, N. J.; THOMAS J. STANTON, assistant credit manager, Carpenter Steel Co., Reading, Pa.; MRS. JEAN C. STERLING, secretary-treasurer, C. H. Dexter & Sons, Inc., Windsor Locks, Conn.; ARTHUR D. STEVENS, assistant credit manager, United States Plywood Corp., New York; DAVID C. TERRELL, branch credit manager, Horne-Wilson, Inc., Miami; GEORGE C. USSHER, assistant credit manager, Mishawaka Rubber & Woolen Mfg. Co., Mishawaka, Ind.; EVERETT P. UTTER, credit manager, Witco Chemical Co., New York; WILLIAM R. VAN HORNE, acting general credit and collection manager, New Holland Machine Co., New Holland, Pa.;

RICHARD V. WHELAN, second vice president, Guaranty Trust Co. of New York; WARREN T. WHITLEY, manager of accounts, Coastal Oil Co., Newark, New Jersey; GEORGE F. WINGARD, general credit manager, Monsanto Chemical Co., St. Louis; DONALD E. WOODRICK, credit manager, Smith Oil & Refining Co., Rockford, Ill.

Governor of Georgia Signs Bills Credit Unit Sponsored

(Picture in November Issue)

The Georgia Legislature has passed two bills which strengthen state legislation on bonds on public works and the lien law. Both bills were drafted and sponsored by the legislative committee of the Georgia Association of Credit Men, of which Jack C. Hodgkins, Jr., is executive manager-secretary.

Governor Marvin Griffin of Georgia commended the association for its vigilance in correcting state laws pertaining to business and credit. "By its continuous activity in behalf of sound business laws, the Georgia association is working hand-in-hand with the State of Georgia in a mutual effort to make the state even more attractive for new industry," the Governor said on signing the bills.

Plaque to Wilkinson

Harry Wilkinson, assistant treasurer, John B. Stetson Company, Philadelphia, and president of The Credit Men's Association of Eastern Pennsylvania, was presented a plaque by the Apparel Credit Executives of Philadelphia for outstanding service.

Cuba, Nicaragua and Panama Again Tie For Honors in Credits and Collections

Cuba, Nicaragua and Panama again tied for top position in both credits and collections in the 56th semiannual survey conducted by NACM's Foreign Credit Interchange Bureau, on commercial credit and collection conditions in Latin-American markets for the first-half of 1956, according to Philip J. Gray, director of the Bureau and NACM secretary. They were followed closely by British, French and Netherlands Possessions, Dominican Republic, Costa Rica and Guatemala.

Nine Nations Improve Credit

Creditwise, 9 countries improved position, 11 lost points and 4 remained unchanged. The most outstanding performance was registered by Chile, which gained 55 points and advanced from the "Poor" to the "Fairly Good" credit classification. Argentina gained 41 points and Brazil 24; both countries shifted from the "Fairly Good" to "Good" credit status. Bolivia lost 30 points and dropped from "Fair" to "Poor," while Ecuador's loss of 23 points removed it from the "Good" to the "Fairly Good" credit rating.

In collections, 9 countries improved in ratings, 12 lost points, and 3 remained unchanged. Here too, Chile led with a gain of 19 points, followed by Argentina with ten. Ecuador dropped 12 points; Mexico lost eight.

Line of Credit Pattern

In the survey of line of credit granted over the first-half of 1956 as compared with those of 1955, changes again reflected the trend of collection experiences—"More liberal" lines were granted in "prompt-pay markets" and a tightening was evident where payment performance had proved unsatisfactory. In this survey "More liberal" lines were reported by 15% of the members on their business in Chile, 13% in Argentina, 11% in Brazil and by 9% in Honduras and Paraguay. "Less liberal" lines were extended by 31% of the members to their customers in Colombia, 12% in Paraguay and by 11% in Bolivia and Ecuador.

Company Presidents Average 11 Hours of Overtime Weekly

How executives utilize their time is the subject of an interesting survey titled "Of Time and Top Management," reported by Lydia Strong in *The Management Review* of the American Management Association. Participating were 37 management executives of representative manufacturing companies, approximately one-third of them presidents, one-third vice presidents or other officers, and one-third heads of major departments or divisions, with average number of company employees totaling 7,000. Their replies disclosed that:

Overtime is the rule; presidents averaging 11 hours overtime weekly, vice presidents 12 hours overtime, department heads 8 hours overtime. Planning takes the major portion of management's time, an average of 20 hours weekly being spent on this, although one president spends 40 hours a week on this phase, another 6 hours. Half admitted they do not delegate as much work to others as they should. Reasons: insufficient or inadequately trained personnel; reluctance based on fear that duties delegated will not be properly handled; not time enough to work out a plan for delegation.

There are few timesaving gimmicks, emphasis being placed on work organization and work delegation.

The 14-page report summarizes other timeconsuming activities of the executives.

". . . Self-insure where there is no danger of a catastrophe. Pay out losses as a business expense instead of paying the insurance company for claims plus an additional cost for handling and service."

—Wilson D. Sked

SUPERMARKETS

(Concluded from page 36)

falls and what can be termed as "struck by" accidents. Offending market locations should be pinpointed. The corrective action, for example, for slips and falls might be better floor cleaning programs, mopping up wet floors, and permitting no trimming on the store floor area. "Struck by accidents" can be reduced by providing for displays to be built only on fixed bases. The height of piling groceries should be limited. There should be no throwing of extra cans and bottles on the top of vertically displayed material. Areas of responsibility should be assigned within the store to various employees. These are but a few of the causes and some of the remedies.

Claims Handling Procedure

We are getting more and more away from safety rules as such and getting into methods and procedures with a safety technique injected into each of them. There are more conferences between the superintendent and the store manager on his own accident record, and the store manager is being asked to suggest the corrective measures for all accidents that occur in his store. In this manner, the store manager will be more alert in the future.

Care should be taken to see that claims handling procedure is not lagging. Many times such procedures are not thoroughly known by the store manager. Prompt reporting is essential—by telephone in serious cases.

General insurance is a major expense item of supermarkets and these are some of the more important considerations. There are others, but these coverages represent the more substantial expenditures.

Louisville Credit Executive Authors Small Business Column

John J. Conlee, credit manager of General Plywood Corporation, Louisville, authored the third in a series of articles by members of the Louisville Chapter, National Association of Cost Accountants, published in the Louisville *Defender* and presented as a public service. Mr. Conlee's article, "Accounting Methods for the Small Business," was devoted to credit functions.

Independent Auditor Opinion Urged on Insurance Firms' Financial Statements

Independent auditor opinion on insurance company financial statements would benefit the insurance companies as much as the public in whose interest it is being urged, according to James J. Brophy, CPA, partner in Brophy, Mimier & Company, CPAs, Dallas, writing in the *Journal of Accountancy*. Making clear that "executives of the industry are exerting every effort to protect the interests of their policyholders and their stockholders," he said that an industry with working assets valued in excess of $100 billions "cannot afford to employ any organizational or financial practices that fall short of the very best."

Independent audits by CPAs now are required by Texas, Mr. Brophy points out. "Undoubtedly the phenomenal growth of Texas is the greatest single reason why certain companies do not meet the legislature's definition of 'soundness' and there is no reason to believe the same problems do not exist in other states."

Mr. Brophy rejects two reasons often given for the lack of independent audits: (1) insurance companies are 'regulated'; (2) insurance accounting principles differ from those used by other companies. Although insurance companies are examined by state insurance departments, "three to five years generally elapse between examinations, and the laws often reveal 'loopholes,'" he comments.

The other reason, variation of insurance accounting principles from those of other companies, he declares invalid because the auditor's opinion can be expressed in terms of compliance with state regulations, rather than "generally accepted accounting principles."

An extreme example cited by Mr. Brophy as an illustration of what can happen in the absence of an independent opinion, concerns certain published financial statements. The Annual Report "blank" prescribed by the National Association of Insurance Commissioners (for filing in the states in which the company operates) does not require a segregation of surplus between "capital" and "earned." The separation, he notes, is probably of little importance to the policyholder but could conceivably lead to misinterpretation by an investor where losses in one or more areas of operations are not disclosed by the condensed report.

Mr. Brophy cites the need to enlighten the executives of the insurance industry as to why an "opinion" is justified. "Insurance departments of the various states would welcome the constructive suggestions evolving."

THINK FIRST

Nine times out of ten there is an explanation for what seems unreasonable. Think before passing judgement.
—The Tablet

PERSONNEL MART

Wanted — Credit and Office Manager

IF YOU ARE EXPERIENCED in handling credits and collections, with some accounting background and office management, and are seeking advancement, write us in care of CREDIT AND FINANCIAL MANAGEMENT, giving education, business experience and personal status. The position requires initiative and integrity. A national wholesale paper company in New York City. Box CFM 433.

Credit Manager Available

PRESENTLY credit manager with large hardware manufacturer and novelty lines—also collections; 3 years' experience. M.A. in Economics, Columbia University. Dun & Bradstreet thesis. National Credit Institute. Box CFM 432.

Seasoned Junior Creditman

FIVE YEARS experience. Approvals on retailers, wholesalers, manufacturers. In appliance, general merchandising, and diversified soft goods lines. Annual volume $5,000,000. All phases of collection, correspondence on 3,500 accounts; 27, BBA credit major, New York City. Box CFM 434.

National Fire Prevention Week October 7-13, 1956

"Don't Give Fire a Place to Start" is the slogan for this year's Fire Prevention Week. Throughout the United States and Canada the period October 7th to 13th has been designated to remind every man, woman and child of the need for fire safety.

"Facts about Fire", a four-page illustrated leaflet published by the National Fire Protection Association, 60 Batterymarch St., Boston 10, Mass., tells in simple, concise language the causes of home fires and where they commonly start. Additional materials issued by the association, emphasizing this year's theme of child and family fire safety, includes posters, flyers, comic and coloring books, inspection blanks, folders for inclusion in letters, and tested activities for fire prevention committees.

Youths 27 Per Cent of Drivers In Record 37,800 Fatalities

Death wrote finis to the lives of some 10,000 automobile drivers under the age of 25 on the nation's highways in 1955. Youths to 25 years of age comprised more than 27 per cent of all drivers involved in fatal accidents last year, which was one of the "bloodiest" on record with a total of 37,800 deaths. Excessive speed and recklessness were blamed as principal causes of the accidents of this age group.

In its recently released safety booklet, "Fatal Fallacies." an annual publication of its safety service, The Travelers Insurance Companies of Hartford, Conn., points to the fact that the safety record of drivers under 25 deteriorated sharply in 1955. On the other hand, the group of drivers over 25 years of age made a significant improvement in their safety record for 1955.

Because young people react quickly and learn quickly, their driving record should theoretically be better than their elders', notes the Travelers' publication. But fast reflexes are not enough to avert a serious accident involving a recklessly driven car traveling at an excessive rate of speed. Increase driver training programs, particularly in high schools, counsels Travelers Insurance Companies in its safety booklet.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

HARRIMAN, NEW YORK
October 1-2-3
Credit Management Workshop

FOND DU LAC, WISCONSIN
October 9
Wisconsin—Upper Michigan Annual Credit and Business Conference

MONTREAL, QUEBEC
October 14-15-16
Credit Management Workshop

SAN FRANCISCO, CALIFORNIA
October 14, 15, 16, 17
Robert Morris Associates Annual Fall Conference

ST. LOUIS, MISSOURI
October 17-18-19
Tri-State Annual Credit Conference, including Kansas, Missouri and Southern and Western Illinois.

ROCHESTER, NEW YORK
October 18-19-20
Tri-State Conference, including New York State, New Jersey and Eastern Pennsylvania

PROVIDENCE, RHODE ISLAND
October 24-25
Annual New England District Credit Conference, covering Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

LOS ANGELES, CALIFORNIA
October 25-26
Pacific Southwest Annual Credit Conference

TOLEDO, OHIO
October 25-26
Ohio Valley Regional Conference, covering Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan.

TOLEDO, OHIO
October 26-27-28
Midwest Credit Women's Conference

HOUSTON, TEXAS
November 8-9-10
First Southern Division Credit Conference of the National Association of Credit Men

CHICAGO, ILLINOIS
November 18-21
Annual Meeting American Petroleum Credit Association

SANTA BARBARA, CALIFORNIA
January 24-26, 1957
Credit Management Workshop

PORTLAND, OREGON
March 20-21-22, 1957
Annual Northwest Credit Conference

MIAMI BEACH, FLORIDA
May 12-16, 1957
61st Annual Credit Congress and Convention, National Association of Credit Men

Insurance Quiz

(Answers to questions on page 20)

A. Under the terms of the policy the insurance company agrees to pay on behalf of the insured all sums the insured becomes legally obligated to pay because of bodily injuries, including damages for care and loss of services, and for property damage up to the limits of the policy. The limits of the policy are $20,000 for any one person and $20,000 for any one accident for bodily injury and $5,000 for property damage.

Claimant "A" is entitled to $5,000.

Claimant "A's" wife is entitled to $2,500.

Claimant "B" is entitled to $20,000.

Claimant "B's" wife is entitled to $20,000.

Claimant "B" would be paid $2,750 for damages to his car.

The company is not liable for more than $20,000 for any one accident and the insured would be personally liable for the $47,500 awarded in excess of this limit for bodily injury. The usual practice of insurance companies is to deposit with the court a sum equal to their total limit of liability and the court will decide how this amount is to be distributed among the claimants.

B. The company would not pay for any injury to the insured. However, if medical payments coverage had been purchased the company would pay for injuries to the insured.

Flexibility, Not Expediency: Cue for Capital Structure

Citing the main methods of raising capital and their place in an efficient, low-cost capital structure, the finance management committee of the New York City Control of the Controllers Institute of America emphasizes that "flexibility rather than temporary expediency should dictate a corporation's capital structure." The report, titled "Cost of Capital," appears in the Institute's magazine, *The Controller*.

Of the three major types of capital —debt securities, preferred stock and common stock—it is observed that "debt has the lowest cost because it can be obtained for a lower rate, and is tax deductible, which is not true of the others." Important disadvantages are pointed out, however, including the fact that future borrowing power may be choked off by excessive debt.

The report is the second part of a study prepared by the committee under chairman Ely Francis, assistant controller, Radio Corporation of America, on "How a Corporation Raises Capital."

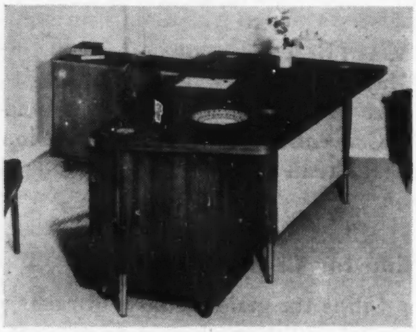
Boston Chapter NIC Elects

James C. Gibbs, Masury-Young Company, Charlestown, has been elected president of the Boston Chapter, National Institute of Credit. Mrs. Marjorie E. Baker, Evans Case Company, North Attleboro, is first vice president; Nicholas Arthur, The Wilbur-Williams Company, Brighton, second vice president; Mrs. Audrey T. Crosby, The Christian Science Monitor, Boston, secretary; Mrs. Marion L. Sullivan, Admiral Distributors Corporation, Boston, assistant secretary. Mrs. Edna L. Tanguay, A & P Corrugated Box Corporation, Lowell, is treasurer.

Modernizing the Office

New Equipment to Speed Production and Reduce Costs

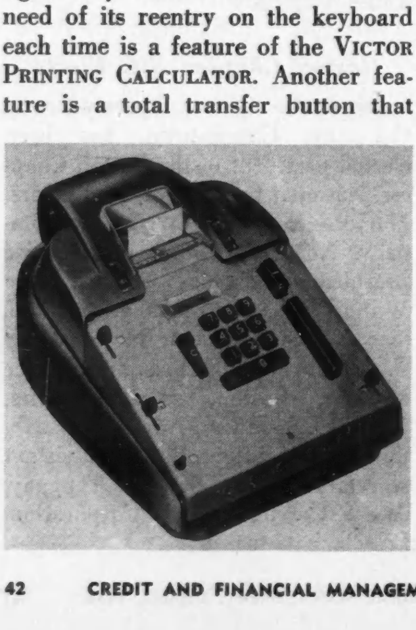
Desk To Fit Layout



323—The "Transformation Group" of executive and secretarial desks of THE TAYLOR CHAIR COMPANY features flexibility to conform to almost any office layout. Four arrangements are possible with unit shown. Desk top, faced with walnut grain plastic, is reversible; cane front panel is easily inserted. Ingenious pedestals, equipped with 3-in. brass casters, permit changing desk quickly from single to double pedestal; from left to right pedestal, or cleared of pedestals for roundtable conferences. This feature also permits angling the drawers to the user, rolling the pedestals with their files intact to any place wanted. Desk is easily taken apart for moving or rearranging.

Constant Key Calculator

324—A constant key that permits multiplication or division by the same figure any number of times without need of its reentry on the keyboard each time is a feature of the VICTOR PRINTING CALCULATOR. Another feature is a total transfer button that does not require reentry of totals for further multiplication or division. The calculator adds, subtracts, multiplies and divides automatically, is simple to operate and prints all essential figures in normal sequence. Figure indications on both keyboard and tape eliminate confusion. Unit is a product of Victor Adding Machine Company.

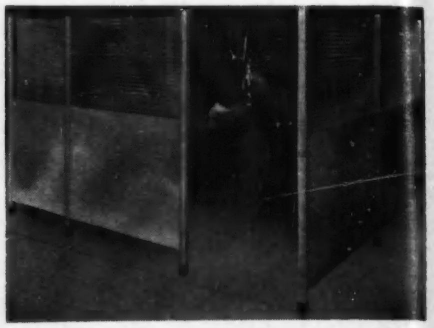


Hot 'n Cold Coffee Unit

325—Newest in the "Constellation Series" of EBCO MANUFACTURING COMPANY's line of water coolers is the Oasis "Hot 'n Cold" bottle model, the BR-HC. Besides providing hot water for instant beverages and cool water for drinking, this model has a roomy refrigerated compartment for storage of bottled drinks or packed lunches and two trays of ice cubes. Individually packaged spoons, sugar and cups and packaged instant beverages are available. Cup and beverage dispensers optional.

Free-Standing Partition

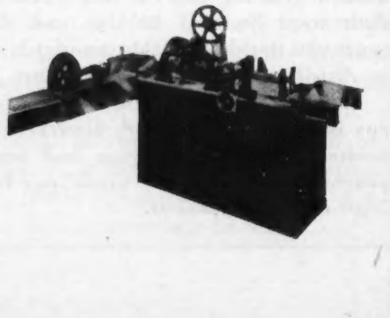
326—Fully prefabricated Partitioner free-standing office partition needs no tools to assemble or rearrange. Erection is a matter of minutes, the precision factory-set coil spring locking device insuring easy and proper assembly, and cost is low, says manufacturer MARNAY SALES DIVISION of Rockaway Metal Products, Inc., Standard four-way universal post enables rearrangement to meet expanding needs. Sold by linear foot, Partitioner is of stretcher level steel; comes in eleven stock widths in 39". 54" and 6'8" heights, and choice of finishes. Sound-retardant panels are available with either clear or fluted glass, or pegboard may be substituted for glass.



This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

Mass Address Labeling

327—Quantity address labeling of envelopes, postcards, catalogs and other literature can be handled in the office with mechanical accuracy with the new Model E and ER machines of CHESHIRE MAILING MACHINES, INC. Unusually high operating speeds are obtainable, manufacturer says, because of patented rotary head which automatically feeds labels in standard roll strip or continuous form, or Addressograph electronic or IBM 407 tape. Models E and ER accommodate mailing pieces from $3\frac{1}{4}$x$5\frac{1}{2}$" up to 11x$14\frac{1}{2}$", are equipped with stacker for the completed mailing pieces, or with conveyor where town and zone separations are required. Unit weighs 900 lbs., is mounted on casters; operates on 115-volt current.



Good news, any way you look at it

Remember when you could get really fine bourbon only in bonded 100 proof?

That's no longer true. With the introduction of Old Taylor 86 you now have *two* bourbons of the same superb quality.

Of course, if you prefer the richer, deeper taste of 100 proof bourbon, bonded Old Taylor will still be your choice.

But for a lighter, milder, lower-priced bourbon—yet flavorsome and satisfying—Old Taylor 86 will give you full satisfaction.

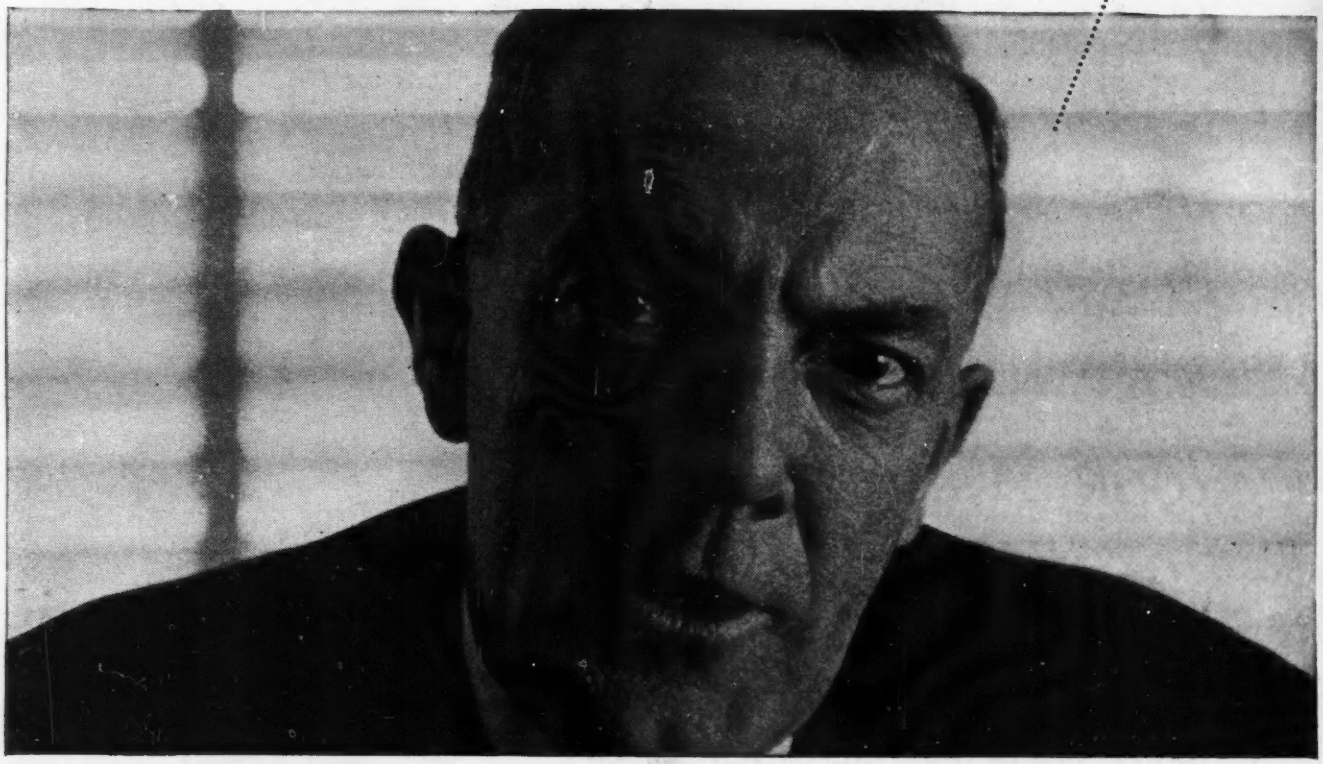
Try it. You'll agree it's the lightest *fine* bourbon made.

OLD TAYLOR

"The Noblest Bourbon of Them All"

KENTUCKY STRAIGHT BOURBON WHISKIES
100 PROOF, BOTTLED IN BOND • 86 PROOF
THE OLD TAYLOR DISTILLERY CO.,
FRANKFORT & LOUISVILLE, KY.,
DIV. OF NATIONAL DISTILLERS PRODUCTS CORP.

Talk about microfilming until you're blue in the face...but I just can't afford it!



Obviously you haven't heard!
The new Micro-Twin recorder-reader costs less than you might expect to pay for a recorder alone!

Bell & Howell MICROFILM EQUIPMENT — SOLD AND SERVICED BY Burroughs

Burroughs B

"Burroughs" and "Micro-Twin"—TM's

Here—combined and *complete* in a single unit—is the microfilming equipment you *can* afford. For the unique Micro-Twin that converts from recording to reading and back again—at the mere flick of a knob—actually costs substantially *less* than any other *up-to-date* microfilming system.

It records as fast as it can be fed—by hand or automatically. You can photograph documents front and back simultaneously or one side only, as you prefer. You can even make full-size facsimile prints of any document image right from the Reader—and actually develop them in just a few minutes without a darkroom.

Another important point! You also get these modern microfilming advantages in the new Model 205 Microfilm Recorder and the Model 206 Reader. These, too, are precision-built by Bell & Howell.

Yes, now that it is priced within your reach, isn't it time you began to enjoy the space-saving, time-saving, money-saving advantages of microfilming? For your demonstration, just call our nearest branch office. Burroughs Corporation, Detroit 32, Michigan.